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Corporate Governance and Corporate Social Responsibility in Family Owned Firms: A case study of a Greek shipping company

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To my Parents, Stella and Dimitri,
for their unlimited support and love,

&

in memory of the "Captain"

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CONTENTS

ABSTRACT

Family firms are playing an important role in the world economy. In some countries, especially in Asia and continental Europe, the family firm is the main form of corporation**.** Although corporate governance is usually addressed to corporations with high dispersion, corporate governance and corporate social responsibility issues are also present in family firms. The purpose of this dissertation is to examine the special issues related to these notions in family firms and the drivers that lead family firms to adopt such policies. For this purpose I used a case study research on a Greek shipping company, owned and controlled by a family. My findings indicate that the drivers for corporate governance and CSR originate mainly in personal values and personal ethics. Personal experiences and respect for the people and the environment lead to good practices and engagement of the stakeholders to the prosperity of the firm. Further studies are required in order to draw generalizations from the findings of this research.

INTRODUCTION

Family firms are playing an important role in the world economy. In some countries, especially in Asia and continental Europe, the family firm is the main form of corporation. Facio and Lang (2001) note that family firms [constitute 43.9% of Western European businesses].

Although corporate governance is usually addressed to corporations with high dispersion, and although corporate social responsibility is usually a strategy of widely dispersed corporation issues related to both of the above concepts are also present in family firms. The purpose of this dissertation is to examine how and to what extent these two notions apply in family firms and the drivers that lead family firms to adopt such policies.

For this purpose I will use a case study research on a Greek shipping company, owned and controlled by a family. The significance of this case is that the shipping industry, especially in Greece, is characterized by family ownership. Also the shipping industry is one of the main industries of Greece. Greeks own almost 17% of the world tonnage and rank at the top of the world maritime hierarchy. Through interviews with top managers and family members of the firm under study I will try to examine in depth their strategy and their views on corporate governance and CSR issues. I will try to find out the differences with the non-family firms and what makes family firms a special category of corporation.

My dissertation is divided in four chapters. In the first chapter I will review the relevant literature on corporate governance and CSR as well as on family firms. The last part of my literature review will present special issues related to Greece and the shipping industry. In the second chapter I will explain my research methodology and my research log. In the third chapter I will present my findings and I will discuss them. Last but not least, I will present my conclusions and I will make some proposals for further research.

<u>Background Information about Greece</u>

Greece is a Mediterranean country in southeastern Europe, with population of approximately 11 million with a labour force of 4.9 million (Pierce, 2010). Greece is an EU member since 1981 and one of the countries that use the Euro as its currency.

Greece is currently suffering from recession. Greece was the main victim of the 2010 European sovereign debt crisis, which led the International Monetary Fund (IMF) and the European Union to take action to protect it from bankruptcy. The Memorandum of Understanding that was signed in March 2010 provided Greece with the biggest loan that had ever been issued by the IMF. Because of the Memorandum of Understanding many changes have been happening in the past months at government level but also in the market. New regulations and laws are introduced and the whole state is reforming under the supervision of the IMF and the EU. For the purpose of this dissertation it is useful to know that the economy of the country is currently under transformation by the new government of PASOK (elected on September 2009) but for now the market is in deep recession.

LITERATURE REVIEW

For the purpose of this dissertation I will do a literature review on Corporate Governance (CG), Corporate Social Responsibility (CSR) and on family firms. Then I will present some literature concerning CG and CSR in Greece and on shipping industry.

Corporate Governance

General

There are plenty of working definitions for corporate governance. Some of them are coming from the academic field, but most are coming from international organizations and committees. Shleifer and Vishny (1997:737) state that: "Corporate governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment". Konzelmann, et al. (2006:543) note: "Corporate governance legally structures stakeholder relations and prioritizes the interests that corporate managers are required to serve". Xanthakis, Tsipuri and Spanos (2003:12) describe "corporate governance as a system that is particularizing the conformation of the rights and the obligations between the several participants of a company, the board of directors, the executive officers, the shareholders and the stakeholders of the firm". The most commonly used definition is the one provided by OECD (2004: 11): "Corporate governance is one key element in improving economic efficiency and growth as well as enhancing investor confidence. Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders and should facilitate effective monitoring." This definition is also used in the European Commission "Green Paper" (2010). The Cadbury Committee (1992:15, 2000:8) issued one of the earliest definitions: "Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meeting." In the last version of "The UK Corporate Governance Code" (2010:1) is stated: "The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company." This last version is an update of the Cadbury Report (1992). All the above definitions are not very different but they present the corporate governance issue from different perspectives and often according to their field of action.

Corporate Governance became better noticed after some major financial corporate scandals broke out at the beginning of the decade. Huge corporations, such as WorldCom and Enron, collapsed due to insufficient systems of internal control and misunderstanding of the risks that the managers were taking (Deakin and Konzelmann, 2004). That led to a more active corporate governance movement. The first serious reaction to the uprising problem of corporate scandals was the Sarbanes-Oxley Act that was adopted by the US Congress in 2002. Deakin and Konzelmann note (2004:134) "The Sarbanes-Oxley Act, is the most significant measure of federal securities and corporate law since the New Deal legislation of the 1930s". A different opinion is stated by Wells (2006): "Sarbanes-Oxley Section906, which quadrupled the penalties for mail fraud, is simply "feel good" legislation." Wells (2006) stresses out that if the penalties are not serious enough, they are unlikely to prevent executives from committing crime, especially when the penalty is, financially, cheaper than the profit from the fraud. Tirole (2001) identifies as a major issue the efficient monitoring. He divides the problem in four main questions. The first one is how should directors be selected and compensated. Secondly, how should institutional investors be active investors and take part in management? Then he argues whether there should be encouragement of a market for corporate control; meaning friendly or hostile takeovers. Last he poses the question (2001:2): "should banks be active in corporate governance as in Japan and most of continental Europe or mostly silent as in the United States?"

Principles

In 1999 the OECD published its "Principles of Corporate Governance"[1]. These are universally accepted and are used as a manual for good corporate governance (Jesover and Kirkpatrick, 2005). Jesover and Kirkpatrick (2005) believe that these principles perform as a benchmark with high adaptability by different law systems, cultures and market practices. These principles are focused on five main areas.

First are the rights of the shareholders. A corporate governance system should, first of all, protect these rights. All countries have the appropriate legal frame to protect these rights. The rights of the shareholders are the foundation for an effective stock-market (Xanthakis, Tsipuri and Spanos, 2003). The level of the protection of these rights depends on the form of the legal system and on the tradition of each country (La Porta et al., 1998). In EU and US there are plenty of codes in each country that cover these rights. Many of these codes[2] promote the one-share-one vote notion. Many codes also adopt measures for effective communication with the shareholders (Preda Report, Italy 1999).

Secondly OECD promotes the equitable treatment of shareholders. That means that minority shareholders or foreign shareholders should have the same rights as any other shareholder. Measures should be taken to prevent insider trading. This is also protected by the one-share-one vote notion.

The third principle is the existence of a framework that assures accurate disclosure and transparency in all actions of the corporation, especially those concerning financial and operating results or the company's strategic objectives. External auditing is crucial and its independence should be assured.

The role of stakeholders is also a subject of discussion in corporate governance. Internal stakeholders such as the employees are crucial for the well being of the corporation. Human Resources Management can help the corporation to create the bonds with its internal stakeholders (Konzelmann, et al, 2006). Corporate Social Responsibility strategies can also assist the relations with the external stakeholders such as the local community and the NGOs.

Last, but maybe more practical and crucial for many cases, are the responsibilities of the board. The members of the board are responsible for monitoring every action of the management. It is their responsibility to be sure that everything is working towards the shareholders (and stakeholders) interests. The board is responsible for transparency, equal

[1] In 2004 OECD published an updated version of its Principles. In 2005 it published "Guidelines on Corporate Governance of State-Owned Enterprises". Also in 2008 OECD published "Guidelines for Multinational Enterprises", a full guide as a continuum of the 2000s "Declaration and decisions on international investment and multinational enterprises".

[2] German Panel on Corporate Governance (Germany - 2000), BSE-CDF Commission (Belgium - 1998), Council of Institutional Investors (USA – 2001).

and fair behavior towards all shareholders and for monitoring and assessing management's actions. Deakin and Konzelmann (2004) argue that in Enron's case the problem started when the board members failed to understand the risks that the management was taking. From that point on they couldn't monitor efficiently what the corporate officers were doing and what risks they were creating for the company. Lack of information and maybe conflicts of interests in the board led the company to its collapse.

These were in brief the dominant principles of corporate governance. Now I will mention[3] the two main corporate governance theories: the Agency Theory and the Stakeholder Theory.

Theories

Corporate governance is connected with the economic development of industrial capitalism (Clarke, 2004). Clarke (2004:2) supports that "different governance structures evolved with different corporate forms designed to pursue new economic opportunities or resolve new economic problems". These new opportunities led to new corporate structures. The need for capital led to widespread ownership and separation of management from the ownership of the company (Clarke, 2004). Chandler (1977) listed multiple reasons for the move from the "invisible hand of market forces" to the "visible hand of management". These changes of the markets and the corporate environment created the profession of the manager, a person who developed a career by running other people's businesses. The separation of ownership from control created problems that didn't exist before. The managers should work for the interests of their bosses, the shareholders of the corporation. The problem was how to check that they were doing it.

Agency Theory

Most of the existing literature is focused on the principal-agent problem or in short the Agency Theory[4]. The essence of the agency problem is the separation of management from finance (Jensen and Meckling, 1976). Managers control the investors' money and that is giving them precedence to their rights. Jensen and Meckling (1983) spot the problem on the management-ownership contracts that are not analytical enough to specify the rights and obligations of each part. With legally loose agreements, management is able to act at will without sufficient supervision. The agency problem is to effectively control and monitor the managers, to make sure that they will not take actions that are not for the interests of the shareholders. As for the contribution of the agency theory, I quote Eisenhardt (1989) "Agency theory reminds us that much of organizational life, whether we like it or not, is based on self-interest."

Stakeholder Theory

The stakeholder theory is a more "social" approach to corporate governance. Clarke (1984, 1991) supports that the philosophical origin of stakeholder theory is the co-operative movement of the 19th century. Freeman and Reed (1990) defined organizations as

[3] I will only mention the basic theories since a full list and analysis of each one is outside the purpose of this dissertation. Despite that, I am mentioning them since I will refer to them later in my research.

[4] More about the Agency Theory can be found in: Alchian and Demzer (1972), Jensen and Meckling (1973,1994), Ross (1973) and Learmount (2002).

agreements between the firm and its stakeholders. These stakeholders are divided in internal and external stakeholders. The internal stakeholders are the managers, the employees and even the owners. These relations are most of the time legally bonded. In the stakeholder theory the external stakeholders are also important. External stakeholders are the clients, the suppliers, the competitors and also special interest groups such as NGOs. These stakeholders have informal relations with the firm. Another external stakeholder with a formal connection to the company is the government, which also dictates the laws in which the firm operates (Freeman, 1994, Post et al., 2003). Clark (2004) notes about corporate decisions: “If the job of corporate management is to maximize the total wealth created by the enterprise rather than just the value of the shareholders stake, then management must take into account the effect of corporate decisions on all stakeholders in the firm.” Clarkson (1994) also argues: “The firm is a system of stakeholders operating within the larger system of the host society that provides the necessary legal and market infrastructure for the firm’s activities. The purpose of the firm is to create wealth or value for its stakeholders by converting their stakes into goods and services.”

Benefits

There are numerous benefits from the pursuit of good corporate governance strategies. Hirschman (1970) argues that good corporate governance attracts loyal investors. The loyal investors are less possible to “leave” the company and sell their shares. Xanthakis, Tsipuri and Spanos (2003) also note that transparency and good flow of information attracts investors, because they have a stronger role and an active part in monitoring. In the Enron case there was a list of major failures that resulted from lack of corporate governance. There was no transparency to allow investors and stakeholders to monitor their interests. There were conflicts of interests of the external auditors since they were also the consultants of the firm (Clarke, 2004). There was deception of the shareholders and the stakeholders originated by the lack of morality and the lack of respect for the company’s own codes of conduct. All these could have been avoided by developing a solid corporate governance system with efficient monitoring, transparency and ethicality on the actions.

Corporate Social Responsibility

General

In recent years there has been a growing debate over CSR from academia and practitioners. Preuss et al. (2009:955) explains: "there is now a growing awareness of environmental problems and persisting social inequality, often induced by campaigning efforts of activists groups". Freeman (1999:479) also notes: "Government regulation has proliferated. Investors and investment fund managers have begun to make investment decisions on the basis of social responsibility as well as pure economics. Consumers have become increasingly sensitive to the social performance of the companies from which they buy." In addition Goyder (2003:5) notes: "Corporate progress towards greater responsibility has always been the result of both push and pull. Visionary leaders in business pull their organizations to higher standards… The push comes from the society, from anti-slavery campaigners like William Wilberforce, from leaders of trade unions, from consumer leaders like Ralph Nader, from environmental activists like Greenpeace."

There is also a continuing debate on how we define CSR. Oosterhout and Heugens (2006:2) argue: "The case for CSR as a theoretical concept in social science and the humanities is weak if not outright fatal". They support that it is not clear what CSR is, what the cause and the consequences of CSR are and finally that we don't know what we need or should ask from the business towards society (Oosterhout and Heugens, 2006). Visser et al. (2007:IX) note: "while the idea has been around for some five decades now, the last15 years have seen an unprecedented rise of CSR language, tools, actors, strategies and practices in industry all over the world." Carroll (2007) argues that: "The definition of CSR has evolved over the decades, generally becoming more precise as to the types of activities and practices that might be subsumed under the concept. Early definitions were often general and ambiguous." Carroll's (2007) definition for CSR is: "It encompasses the economic, legal, ethical, and discretionary or philanthropic expectations that society has of organizations at a given point in time." The economic and legal obligations of a corporation are the things that are expected from a company by definition. The existence of a company is based on laws, so a company should obey them. Profit making is also something that society expects from a company. This is the reason of its existence, to provide goods and services for a profit. The society is also profiting from the economic development that a company offers in general through providing jobs. The ethical expectation is the compliance of a company to ethical norms and behaviors of the society. The last part of Carroll's definition concerns the step that companies are not obliged to take and society is not clearly expecting. This step includes philanthropic and discretionary responsibilities. Savitz and Weber (2006:xi) argue that they prefer the term sustainability:[5] "Because responsibility emphasizes the benefits to social groups outside the business, whereas sustainability gives equal importance to the benefits enjoyed by the corporation itself." The notion of sustainability is growing and the debate is still going on. Visser (2007:446) notes that: "sustainability may be defined as a values-laden umbrella concept about the way in which the interface between the environment and society is managed to ensure that human needs are met without destroying the life supporting ecosystems on which we depend." Wan Saiful (2000) suggests that there are two ways that CSR is perceived, the first is as an ethical position and the second as a business strategy. And he adds (Wan Saiful, 2000:182): "Those who take CSR as a business strategy do so under the belief that CSR can ultimately help achieve and/or enhance profitability…. Those who

[5] "Corporate sustainability, is probably better understood not so much as the discipline be which companies ensure their own long-term survival- though that is clearly part of the equation – bus as the field of thinking and practice by means of which companies and other business organizations work to extend the life expectancy of: ecosystems (and the natural resources they provide); societies (and the cultures and communities that underpin commercial activity); and economies (that provide the governance, financial and other market context for corporate competition and survival). (Elkington, 2007:133).

see CSR as an ethical stance will also see profitability and serving shareholders as important because companies may not otherwise be able to continue exercising their social responsibility." For Kitchin (2003: 312) "CSR is a confusing thing. One moment it seems to mean the engagement of NGOs, the next it is all about charitable donations, and five minutes later it seems to mean the ethical treatment of employees. One minute the NGOs are calling the shots, the next the accountants are in on the act selling "reputation assurance"." And he suggests as CSR definition (2003:316) : "The brand-specific duties and resultant actions of commercial organizations in relation to their communities of need – defined and delivered outside the core transactional context of the business." Sparks (2003) suggests that CSR is the companies' judgment on how they should make their profits.

There are also some definitions created by international organizations. For the Chartered Institute of Personnel and Development (2003:4): "CSR is about the way in which companies meet their wider obligations, both to employees and to the wider community." The World Business Council for Sustainable Development defines (2000) CSR as "the business commitment and contribution to the quality of life of employees, their families, the local community and the society overall to support sustainable economic development." One last definition of CSR is offered by ISO (International Organization of Standards) (2002): "CSR is a balanced approach for organizations to address economic, social and environmental issues in a way that aims to benefit people, communities and society". From the above definitions we can safely conclude that CSR is a voluntary "program" or initiative from the side of business organizations (including the public sector and all the forms of companies), which aims to "give back" to the community through ethical behavior.

This has raised an argument by Friedman (1970) and from his follower Manne (2006) that there is no place for CSR in free market capitalism and that "using corporate resources for purely altruistic purposes basically amounts to socialism". Friedman (1970) famously noted: "There is one and only one social responsibility of business–to use it resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud." Sternberg (1994, cited in Sparks, 2003) also supported that "using business resources for non-business purposes is theft". In addition Henderson (2002) stressed that the main role of business in the modern world is as an agent of economic progress and their duty is to pursue profits. Lantos (2001,2002) also argued against CSR. He notes though (Lantos, 2002:205): "for a private firm and for managers using their own resources, altruistic endeavors are commendable and consistent with certain secular as well as Judeo-Christian teaching on the meaning and purpose of work.". But in the same paper (Lantos, 2002:205) he argues: "Altruistic CSR violates shareholders property rights, unjustly seizing stockholder wealth, and it bestows benefits for the general welfare at the expense of those for whom the firm should care in close relationships".

We can see that the debate on CSR is constant and the arguments from both sides are strong. The final decision is usually in shareholders' hands. But we should not forget that shareholders are not independent entities. As they are stakeholders in their own company, they also are stakeholders in every company by which they are affected.

<u>Reasons, Fields and Challenges</u>

Leonard and McAdam (2003) list specific issues in which CSR is engaged, some of them being: human rights, environmental behavior, community, social development, employment issues and unfair business practices. Kotler and Lee (2005) listed the reasons why a company should introduce CSR strategies. They didn't focus on any of the obvious reasons such as helping poor people or protecting the environment. They listed six reasons that make economic sense and would probably satisfy Friedman and his followers. First they argue that CSR increases the market share. They also believe that "social marketing" attracts more high-income and highly educated customers. Second they support that CSR strengthens the brand name of the company. A good example is the "Body Shop", whose name is connected with animal protection. Third CSR improves the corporate image and the expansion of the corporate influence. Fourth it influences human resources. Kotler and Lee argue that companies with CSR policies attract and keep higher levels of employees. These employees are happy to work for a responsible company and they tend to stay longer. The final proposed reason is that by following CSR strategies, companies can reduce their costs, especially costs that have to do with energy consumption and waste management.

Kotler and Lee (2005) also point out some challenges that corporations will face during their involvement with CSR. The first two challenges are how to choose your social subject and your way of promoting it. Then there is the planning and execution of programs. Finally there must be constant and serious monitoring of the results of the actions.

Stages & Classification

Zadek (2004) proposes five stages that an organization will go through in the process of adopting CSR policies. The first stage is the one during which the company doesn't recognize any responsibility towards the problem: "defensive stage". The second is called "compliance stage". The company will do only as much as it is required to be done. In the third stage the company will realize that by fixing a long-term problem benefits will come. This stage is known as the "managerial stage". Next stage is the "strategic", when the company learns how to make CSR a strategic approach and gain competitive advantage. The last is the "civil", when the company promotes collective action towards a solution.

Carroll (1979,2000,2001) classifies the responsibilities of a company in four categories: economic, legal, ethical and philanthropic. As a response Lantos (2001, 2002) proposes his own classification: Ethical CSR (moral mandatory fulfillment of corporation's economic, legal and ethical responsibilities)**;** Altruistic CSR (going beyond "ethical CSR" and engaging philanthropic action); and, Strategic CSR (philanthropic actions that will benefit the corporation through publicity). Kotler and Lee (2005) offer a different classification that serves more the marketing needs of the corporation. For them the six categories or ways to offer are: promotion of a cause; marketing of a cause; corporate social marketing; corporate philanthropy; volunteering to the community; and, corporate practices of social responsibility. The first two are focused on a certain cause by donating money, products or a percentage of sales (marketing of cause). In corporate social marketing the company is promoting a certain attitude or action. By adopting corporate philanthropic actions a company is making donations towards the social cause. By volunteering the company engages its employees and its stakeholders towards a cause. Finally with CSR actions it is supporting the stakeholders usually by protecting the environment or supporting local communities. The last action is usually long term and requires devotion and strategic planning. All the previous scholars mentioned the notion of philanthropy or strategic philanthropy. Porter and Kramer (2002:57) note regarding strategic philanthropy: "the term is used to cover virtually any kind of charitable activity that has some definable theme, goal, approach, or focus. In the corporate context, it generally means that there is some connection, however vague or tenuous, between the charitable contribution and the company's business." Carroll (1991:42) also specified: "the distinguishing feature between philanthropy and ethical responsibilities is that the former are not expected in an ethical or moral sense. Communities desire firms to contribute their money, facilities, and employee time to humanitarian programs or purposes, but they do not regard the firms as unethical if they do not provide the desired level".

Family Firms

Introduction

To begin with, it is proper to introduce some of the definitions given to family firms and their characteristics. Colli et al. (2003:30) defines family firms as a firm where: "a family member is chief executive, there are at least two generations of family control and a minimum of 5 percent of voting stock is held by the family or trust interest associated with it." Miller and Le Breton-Miller (2003:127) suggest that family firm is "one in which family has enough ownership to determine the composition of the board, where the CEO and at least one other executive is a family member, and where the intent is to pass the firm on to the next generation." Another working definition: "Family business is a form of enterprise in which both ownership and management are controlled by a family kinship group, either nuclear or extended, and the fruits of which remain inside that group, being distributed in some way among its members." (Suehiro, 1993:378).

On the characteristics of family firms, McCahery and Vermeulen (2008:246) support that: "The typical cycle of family owned-firms, however, indicates that where the first generation establishes the business, the second generation develops it and the third generation destroys it. Only companies with strong and professional governance structure are able to survive beyond the third generation".

La Porta *et al*. (1999) note that family control is the dominant model in several developed countries. "Family control is more common in countries with good shareholder protection and little separation between ownership and management is observed in family firms." This is also noted by Jellal (2009). It is argued that the majority of the firms around the world are controlled by their founders or their families (La Porta *et al*., 1991; Facio and Lang, 2002). Sir Adrian Cadbury (2000b:5) states that "it is estimated that family enterprises range from 75% in the UK to 95% in India, Latin America and the Far and Middle East." In general it is noted that founding families own and control the one-third of publicly held firms (Anderson and Reeb, 2003). Moreover large family firms account for a significant part of the emerging economies (Claessens et al., 2002).

Anderson *et al*. (2003:267) note that "founding families represent a special class of large shareholders that potentially have unique incentive structures, a strong voice in the firm, and powerful motives to manage one particular firm". Unfortunately research on family firms and family business groups is yet undeveloped. Morck and Yeung (2003) argue that this is happening because these kinds of firms are absent from USA and UK where most corporate governance research is conducted.

Agency Cost

Family governance is distinguished by the concentration of ownership and control and not by the separation between the two as in widely-held firms. Some of the early agency theorists suggested that family firms had low agency cost due to this concentration of ownership and control (Jensen and Meckling, 1976). Later analysis (Fama and Jensen, 1983a) identified many issues that suggested higher agency cost. Issues such as expropriation of minority shareholders, nepotism, unwillingness to take risks and withhold of information were reported and analyzed in subsequent research. Schultz, Lubatkin, Dino and Buchholtz (2001,2002) argue that agency problems occur also at family firms and especially between family members.

I will now present the main advantages and disadvantages of family firms governance as they are approached by several scholars. Some characteristics are perceived as advantages by some scholars and as disadvantages by some others. These issues will be mentioned twice, separately for each approach.

Advantages - Strengths

Management

Jensen and Meckling (1974) suggest that the owner-management model reduces the agency cost since there are no different interests in growth opportunities and risks between owner and agent,–so there is no need to maintain "costly mechanisms for separating the management and control decisions" (Fama and Jensen, 1983b:332). In general Jensen and Meckling (1974) argue that formal governance mechanisms are not necessary at family firms. The expenses to preserve such mechanisms can reduce performance.

Altruism

Rotemberg (1994) argues that altruism raises productivity when employees work as a team. Schultze *et al*. (2001) add that the altruistic benefits are unique at family firms. That is because every member of the family, who works at the company, is pursuing his or her own interests by promoting the interests of the whole family and the firm.

Trust

Fukuyama (1995) suggests that trust and loyalty lead to cooperation, and that cooperation is key for the success of a firm. Donnellery (1964) notes that family CEOs enjoy higher levels of trust from key stakeholders and major external shareholders, especially when it comes to local institutional investors. Anderson and Reeb (2003:1306) support that "the long term nature of founding family ownership suggests that external bodies, such as suppliers or providers of capital, are more likely to deal with the same governing bodies and practices for longer periods in family firms than in non-family firms." Anderson et al. (2003) also note that since a family has a long-term presence in the firm, the firm will enjoy a lower cost of debt financing. As Ronald et al. (2003:267) argue "founding families face reputation concerns that arise from the family's sustained presence in the firm and its effects on third parties…banks and other parties often develop personal and well-informed relationships with company executives, suggesting that the family's presence allows these relationships to build over successive generations." And they conclude: "Thus, the family's reputation is more likely to create longer-lasting economic consequences for the firm relative to non-family firms where managers and directors turn over on a more frequent basis". This is also constant with the long-term perspective of the family firms that I present later on.

It is also argued (Morck and Yeung, 2004:9) that family firms have "unique political influence in their countries, and that this might account for their survival, regardless of whether they outperform or underperform other firms."

Family CEO

Donnelley (1964) argues that family CEOs (especially founders) have firm specific knowledge that is hard to be obtained by an outsider. Anderson and Reeb (2003:1306) also suggest that with a family CEO the family can "more readily align the firm's interests with those of the family suggesting that the effects of family ownership on firm performance are potentially magnified. Latter they conclude (Anderson and Reeb, 2003:1324) that: “the greater profitability in family firms, relative to nonfamily, stems from those firms in which a family member serves as the CEO.” Anderson et al. (2003) argues that founder CEOs bring unique, value adding skills to the firms.

Long-Term Perspective

Sir Adrian Cadbury (2000b) supports that family interest in their firms is long term and that the families are not putting the future as a mortgage for the present. “Building on the future leads to a concern for the firm’s reputation and to a regard for the interests of employees and the community” (Cadbury, 2000a:6). Anderson and Reebs (2003:1305) support that “families potentially have longer horizons than other shareholders, suggesting a willingness to invest in long-term projects relative to shorter managerial horizons.” It is suggested from James (1999) that because family intends to pass the firm to the coming generations, they invest more efficiently than non-family firms and take fewer risks. Casson (1999) also supports this by noting that founding families view their firms as assets to pass on to the next generations and not as a wealth to be consumed. Stein (1988, 1989) notes that firms with long-term perspectives suffer less managerial myopia and it is improbable to avoid good investments just to boost current earning. Anderson et al. (2003) agree that family firms are targeting long-term since they seek to pass the firm to their heirs.

This behavior often leads to risk avoidance. Since family firms make strategic decisions with their personal wealth they are extremely cautious. “People are more prudent with their own, as opposed to other people’s, money” (Carney, 2005:254). Morck and Yeung (2004) also support that family firms have longer time horizons than public shareholders. They argue also that is likely that widely held firms are short-time driven by their managers and their career development.

Identity

Family firms are built on a human scale and they have a clear identity. They can win loyalty more easily between their employees and develop a family tradition of people working with them (Cadbury, 2000b). This is happening because people know for whom they are working and their personal values and behaviours. This, in contrast with faceless corporations, is an advantage for good working relations.

Value Creation

Demsetz and Lehn (1985) suggest that since family wealth is bound up with the welfare of the firm family members will monitor more efficiently the managers and will minimize the free-rider problems originating from “atomistic shareholders”. Carney (2005:260) notes: “accountable only to themselves, owner-managers are free to donate, hide, liquidate, and generally shift assets into and out of unfavourable environments.” Hence they are able to create value when the environment favours it or restrain the investments when the market is not favourable.

Anderson et al. (2003:264) note that founding families “are more likely than other shareholders to value firm survival over strict adherence to wealth maximization. This culture of value creation than value consumption can be found in family business more than in non-family ones.

Disadvantages – Weaknesses

Management

Schulze et al. (2001,2002) disagree with the theories of Jensen (1993,1994,1998) , Fama (Fama and Jensen, 1983a,1983b; Fama, 1980) and Meckling (Jensen and Meckling, 1976), and argue that (Schulze et al., 2001:100) "private ownership and family management expose firms to agency hazards." Morck and Yeung (2003) note that it is possible for the managers to act in favour of the controlling family and not for the shareholders in general. It is also argued (Morck and Yerung, 2003:368) that another set of agency problems occur "when family controlled firms organized into business groups obtain outside equity financing".

Altruism

Becker (1991) argues that the altruistic parent cares for the well-being of the selfish child and transfers income to the needy generation, without expecting any repayment. This behavior of parents is not driven only from love but from their own need for well-being, since the well-being of their children is influencing theirs. This kind of altruism is not present in non-family firms. Schulze et al. (2001,2002) argue that family altruism is harming the firm by moral hazard problems and lack of self-control.

Family CEO

It is strongly supported (Levinson, 1971; Barnes and Hershon, 1976; Lansberg, 1983) that family CEOs often underperform because of a conflict between family and business objectives.

Family CEOs are also a problem for the performance of the firms since they are not always the best selection for the position. They are usually selected from a small pool of candidates, the family members, and so there is a smaller possibility to find a real managerial talent (Burkart et at. 2003; Perez-Gonzalez, 2006). Bennedsen et al. (2006:5) support that "family CEOs tend to be costlier in fast growing industries". Bennedsen et al. (2006:31) argue that it is evident that: "unrelated CEOs are extremely valuable for the firms they lead.". And they add (2006:31): "Moreover, the findings that family CEOs hurt firm performance might suggest that countries where the control and management of assets is commonly transferred among kin can potentially under-perform, compared to economies where assets and management are competitively matched."

Anderson and Reeb (2003) argue that, by placing as CEO a family member, the family creates the cost of excluding a more capable and talented non-family manager.

Johnson et al. (1985) suggests that founder CEOs are strongly performing at the beginning and less strongly later. Moreover Morck et al. (1988) adds that founder CEOs bring innovative and value-creating expertise at the company.

Generation succession and nepotism

One of the important issues that we deal with in family firms relates with the succession of the chief executive officer (Bennedsen et al., 2006). Morck et al. (1998) argued that heirs to large family firms are more likely to try to preserve their wealth by entrenching their management position and through political lobbying than by introducing innovations and expanding their firms.

It is important to note that Ward (1987) argued that two thirds of family firms fail in the transition to a second generation of family ownership. Morck and Yeung (2003) note that the heir is likely to be less able than the founder and in the future he can become a liability.

Work and Family

The Cadbury report (2000b:7) notes that in family firms: “there is no separation between family relationships and business relationships and no relief from one in the other. Those who work for someone else can leave business frustrations behind them when they return home, or seek refuge from home problems in the office. In the family firms, its members are denied that safety-valve”.

Firm Growth

When the firm is small, the founder and immediate family are enough to manage the business. When the firm grows and the next generation takes the lead, the relationships with the existing family members who work for the company -- or the new extended family members who join – often become unstable (Cadbury, 2000b). Also there is a growing need to recruit managers outside the family for the new posts that are created. The issue here is the quality of the relationships between family and non-family members of the firms and the new “sharing power” situation (Cadbury, 2000b).

Another issue is remarked upon by Chandler (1990), who observed that growth, at family firms, is slowing when the need for administration and financial capacity is getting bigger. It is also argued (Morck and Yeung, 2003) that established wealthy families are reluctant to finance and support innovation. Chandra and McConaughy (1999) support this argument with evidence that shows that US family firms are unwilling to take any risk, with their money, in innovative industries.

Recruitment and Promotion

Sir Adrian Cadbury (2000b) raises the issue of the recruitment and promotion of external non-family managers. He argues (Cadbury, 2000b:13) that: “family firms tend to value hands-on experience more than formal training. Members of the family are often well trained in a practical sense, being brought up in a business atmosphere and working their way through all the activities undertaken by the family firm”. The family members are becoming sceptical towards non-family members who have not shared the same experiences. Another issue is the promotion of managers. It is common to promote family members more often than outsiders. The top positions are often reserved for the family members and the external managers have limited perspectives for promotion (Cadbury, 2000b). That leads to a restricted labour pool for the managerial positions and potentially that leads to competitive disadvantages relative to non-family firms (Anderson and Reeb, 2003). Schulze et al. (2001,2002) note that this leads to costlier procedures for spotting and recruiting applicants.

Also the recruiting of the right family members for the right positions is a challenge for every family firm (Cadbury, 2000b). Carney (2005) notes that owner~~s~~-managers are unwilling to formalize human resources management practices and they prefer to deal with these issues without endangering their authority.

Expropriation of firm's wealth

Fama and Jensen (1983a) support that combined ownership and control allows the block holders to exchange profits for private rents. Also Shleilfer and Vishny (1997) note that block –and controlling- shareholders seek to extract private benefits from the firm. Anderson and Reeb (2003:1304) note: "With substantial ownership of cash flow rights, founding families have the incentives and power to take actions that benefit themselves at the expense of firm performance." They also suggest that families are capable to expropriate wealth through compensations, special dividends and related-party transactions. Barclay and Holderness (1989) argue that block holding creates barriers to third parties to capture the control of the firm and that leads to greater managerial entrenchment and lower firm values relative to non-family firms. The expropriation of non-family shareholders by the controlling shareholders (or families) is called *Type 2*[6] agency problem (Bhaumik and Gregorio, 2009:796).

Pyramids and Tunnelling

Morck and Yeung (2003) are arguing that the agency problem at the family firms has to do with the use of pyramidal groups to separate ownership and control and the use of tunnelling[7] transactions between relating companies in favour of the family. Pyramid and tunnelling is also a way of expropriating of firm's wealth. Shleifer and Vishny (1985) analyzed the system of pyramids. A family holds the 51% of the company A, and the rest of the capital is gathered from public investors. The company A holds the 51% of the company B, and the rest of the capital is again gathered from public investors. This can be continuing indefinitely. The issue is, that since the family holds the 51% of the company A (mother company) they control it. And as a result they control all the other sub-companies. So with a small capital they can manage a much bigger one. Thus entrenched management[8] problems can occur.

Another issue is arising from the pyramid structure. The controlling family can perform tunnelling since it has full control of all the companies. We must note though that tunnelling can happen also in widely held firms. This is exactly the case of Enron and its SPEs. Morck and Yeung (2003:371) describe tunnelling: "in general, the controlling family gains by transferring as much wealth as possible from firms low in the pyramidal structure at or near its apex." and (Morck and Yeung, 2004:7) : "Tunnelling, an agency problem where controlling shareholders moves wealth out of firms whose cash flows mainly go to public shareholders and into firms whose cash flows accrue mainly to the controlling shareholder.". That is because the family has very small cash-rights at the bottom of the pyramid but a 51% stake at the top of the pyramid. Morck and Yeung (2004:6) comment on this situation: "Insiders, this time the family, rather than the professional managers, spend outside shareholders' money on things they want, rather than on things that build firm value". Morck and Yeung (2003) argue also that family pyramids are a tool to corrupt politicians. Since there are long-term relationships with the family, it is likely to return favours to the politicians that supported the family or *vice versa*. Pyramid structure can provide a level of anonymity to the family and be used as "middle man" to move capital from/to the family/ politicians.

[6] Type 1 agency problem is considered the conflict that occurs from the separation between management and ownership.
[7] The word "tunnelling" to "describe the transfer of assets and profits out of firms for the benefits of those who control them" was first used by Johnson et al. (2000).
[8] See: Shleifer and Vishny, 1986 for management entrenchment.

On the other hand Faccio and Lang (2002) support that tunnelling is not a common practice in Western Europe and that's due the legal environment that constrains controlling owners.

Capital Market

Schulze et al (2001:100) argue that "efficient capital markets reduce monitoring costs by tracking firm performance and making this information available in the form of share price". Family firms that hold a block of shares, and usually keep them out of the market (unlisted companies), lack this monitoring system. So the minority shareholders don't have any "exit" options and they are dependent upon family.

Corporate Social Responsibility

Corporate Social Responsibility initiatives are well known – and well discussed – between scholars mainly in the context of large corporations. Tanzler and Keese (2010:1) argue that "until now, corporate social responsibility has been mostly associated with listed companies. Fewer reports are found about CSR activities of small and medium enterprises in particular family businesses, as they are generally found to be more reclusive to the public". Most of the approaches of CSR that are not concerned with big corporations or multinationals are focused on SMEs. Maybe it is appropriate to divide the family firms on the grounds of their size rather than of their governance. Concerning the small family firms, which can also be categorized as SMEs, the EU has published multiple reports and guidelines to assist its members to adopt CSR activities[9].Chua et al. (1999) note that there has been little attention on family firms individually and their views and motives about CSR. Gersick (2002) argues that, most commonly, family firms do not engage with CSR but with philanthropic activities, rarely connected with a strategic plan of the firm.

Most family firms are engaged with some king of social behaviour to keep their good reputation (Whetten and Macjey,2005). Since the controlling families have their wealth tied to their firms, they are extremely interested in keeping their reputation at high levels, and are more likely to invest in CSR initiatives that can be easily communicated and that build good reputation (Dyer and Whetten, 2006; Wiklund, 2006). Block and Wagner (2010) note that firm owners are well-known in local communities and that is why they care about their reputation.

Block and Wagner (2010) argue that family firms are associated with a lower level of CSR concerns as do Dyer and Whetten (2006). Block and Wagner (2010), however, state that families as owners seem to avoid CSR, while as managers they increase their level of CSR concerns. That has to do mainly with the family view on profitability. When a family just owns a firm, it is trying to maximize its profits. As a manager-owner the concern of the family is long-term and the firm is viewed as an asset for the future.

Miller et al. (2010) note that the founding managers have lower CSR concerns than any other family member. The founding members are focused on building a strong firm and care less, at least in the beginning, about CSR initiatives.

[9] For a full review of the EU policies on CSR and SMEs visit: http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/sme/index_en.htm

The Greek case

Legal Framework for Companies

The legal system of Greece Is shaped after the French civil-law tradition. The Greek companies (corporations in USA, public limied company in UK and the equivalent of *societe anonyme* in France) are governed by the Law 2190/1920.

Also the listed companies have to follow the Law 3016/2002[10] . The governing body of companies is the general meeting of shareholders which elects the board of directors. The vast majority of Greek firms are governed by a unitary board of directors. "The two-tier boards is considered to be a non-existent element in the Greek corporate structure" (Mertzanis, 2001).

Capital Market

The Greek capital market has been experiencing a cycle of self-fulfilling expectations towards the end of 1999. From 1997 till 2000 the Greek capital market experiences a big rise of share prices with a total ASE (Athens Stock Exchange) capitalization recorded annual increase of 194% (1998-1999), one of the highest among OECD countries. That led to a massive entrance of individual and institutional investors in the capital market, which led to a further rise of the stock prices (Spanos, 2003). The market soon reached to a point that there were no investors willing to buy in such high prices. And then the bubble burst. An extensive liquidation of securities started and the market collapsed. During the years 1997, 1998, 1999 and 2000 the total funds raised were increased by approximately 1,800% compared to 1996[11]. After the bubble the market suffered for several years. Spanos (2005) argues that "Corporate governance failures have been identified as one of the key reasons of the Greek capital market's underperformance during the last three years (2001-2004)". New regulations were introduced to restore public confidence. A new law was introduced and voluntary corporate governance codes were presented. In 1999 the Capital Market Commission[12] set up the Committee on Corporate Governance (CCG) in Greece. Later in the same year the CCG introduced a White Paper, titled: "Principles of Corporate Governance in Greece: Recommendations for its Competitive Transformation." A voluntary Corporate Governance Code was also introduced by the CCG under the coordination of the Capital Market Commission. This code was created in collaboration with all relevant agents in Greece and it was adopting the model of OECD Principles on Corporate Governance (OECD, 1999), which were introduced a little earlier that year. The Greek code contains 44 recommendations compiled in seven main categories: first, the rights and obligations of shareholders; second, the equitable treatment of shareholders; third, the role of stakeholders in corporate governance; fourth, the transparency, disclosure of information and auditing; fifth, the board of directors; sixth, the non-executive members of the board of directors; and, seventh , the executive management.

In 2000 a new rule was introduced by the Capital Market Commission: "A code of conduct for companies listed in the Athens Stock Exchange and their affiliated persons" (CMC Rule 5/204/2000)[13]. This code sets duties; behaviour standards and obligations for the ASE listed companies, their major shareholders, directors and managers.

In 2001 the Federation of Greek Industries (FGI) introduced their own Principles of Corporate Governance applied for all companies, but mostly for listed ones. This code is a voluntary code. Spanos (2003) argues that this code was not covering many aspects of

[10] See annex for a full list of laws regulating the Greek Capital Market.
[11] Source: Capital Market Commission, Annual Report (1996, 1997, 1998, 1999, 2000), ASE.
[12] The governing body of the Greek Capital Market
[13] www.hcmc.gr Hellenic Capital Market Commission

corporate governance. It did not address the issue of equal and fair treatment of shareholders. Also there was no guidance for protection of shareholders rights, for the ratio of non-executive directors and their compensation or for the separation of responsibilities and authorities between the CEO and the chairman.

In 2002 (March) a corporate governance rating methodology was introduced by the Center of Financial Studies of the University of Athens. The Athens Stock Exchange sponsored the research and established a Special Advisory Committee on Corporate Governance. This committee consisted of representatives of the Capital Market Commission, the Athens Stock Exchange, the Federation of Greek Industries, the Athens Chamber of Commerce & Industry, the Union of Institutional Investors, the Hellenic Bank Association and the Union of Brokerage Firms. This plethora of different authorities and bodies gave to the methodology a high status and the universal acceptance that a rating method need.

The most important development in the corporate governance movement in Greece is the new law on corporate governance, which was introduced in 2002. The Greek Ministry of National Economy and the Rokkas Committee[14] presented the Law 3016/2002: "On corporate governance, board remunerations and other issues". The Law dealt with issues such as the composition of boards of directors (the number of non-executive board members and independent directors), the remuneration of non-executive directors' (proportional to the time devoted), internal auditing (supervised only by non-executives) and share capital increase issues.

The last important move towards a good corporate governance framework was the introduction of qualitative criteria by the Athens Stock Exchange in June 2002. These criteria are (Spanos, 2003):

1) Establishment and content monitoring of corporate website covering the four subject areas of company organization, corporate profile, financial and stock market data.
2) Organization, by an Investor Relations Unit, of road shows and additional activities.
3) Features of corporate governance
4) Free float ratio of 25% for the Main Market and 20% for the Parallel Market.

<u>Management</u>

Makridakis et al. (1997) noted that a dualism has been noted for Greek holdings. "On the one extreme there are the subsidiaries of multinational corporations operating in Greece, those firms which have established long-term strategic alliances with companies from abroad. At the other extreme are the family-owned businesses which are, more often, managed by their founder and major owner or his descendants." (Makridakis et al., 1997:385). Usually the CEOs and executives of these family companies don't have any managerial experience or education except their involvement with the particular firm. Makridakis et al. (1997:385) also notes that "the Greek CEOs (owners more than professionals) believe more in the seniority system and are much more inclined that their counterparts in advanced countries to reward people for their seniority as well as their dedication to the organization (or better, the CEO himself), rather than on pay-for-performance criteria. ". So the Greek model is more paternalistic than in other developed countries.

[14] Rokkas Committee was established by the Ministries of National Economy and Development, and it served as a law making committee on corporate governance.

Previous Research

There have been a number of researchers (Makridakis et al. 1997; Spanos, 2003; Tsipouri and Xantakis, 2004; Spanos, 2005; Florou and Galarniotis, 2007; Spanos et al., 2008) in Greece who tried to illustrate the level of corporate governance in Greece and its quality. The biggest part of this research is based on quantitative methods. Also their main focus is on listed companies, which are also regulated by law for their corporate governance issues. Spanos et al. (2008) conducted a very interesting research on corporate governance and family firms. To begin with, they found out that family firms received lower scores on corporate governance adaptation than non-family firms. It is interesting that they found that "the shareholders' rights' appear to be well protected in Greece" both by family firms and non-family (Spanos et al., 2008:471). The principle of one-share, one-vote is set by law for all the companies. Conversely, family firms seem to suffer from poor accounting systems. Spanos et al. (2008) calculated that the percentage of family firms utilising International Accounting Standards (IAS), (as opposed to Greek GAAP - Generally Accepted Accounting Principles) just 8.4% while in non-family firms the rate was 64%. Exactly the same scores were given to family and non-family firms in the category of "specific discussion of the company's risk management system on the annual report". Spanos et al. (2008:472) noted "family firms are "undergoverned" in terms of their board of directors". The use of the Chairman-CEO model is confirmed by the research. The creation of committees is also absent with scores of 11.7% for family firms and 41% for non-family firms. Finally as it is argued (Spanos et al., 2008:474) that "the degree of compliance is very low in the final CG indicator[15] for both family and non-family firms. Family firms do not have their own specific guidelines and do not make a clear statement of their own commitment towards environment. However family-controlled firms are encouraging long lasting relationships in local communities with different stakeholders and are usually responsible to their specific needs.".

Corporate Social Responsibility

In 2000 the Hellenic Network for Corporate Social Responsibility (HNCSR) was established and is National Partner of the CSR Europe Organization and CSR360-Global Partner Network. The HNCSR is a non-profit organisation with a business driven membership with the "mission to promote the meaning of Corporate Social Responsibility to both the business community and the social environment, with the overall objective being a balance between profitability and sustainable development."[16]. The HNCSR is the main organization and lobbying body that is promoting the CSR in Greece. In collaboration with the Panteion University of Social and Political Sciences they are conducting multiple researches on CSR in Greece. In their 2002 publication (HNCSR, 2002) they illustrated the views and the practices of CSR in Greece. They note (HNCSR, 2002:6) "They (the citizen-consumers) are not ready to accept that corporations have the honest intention to contribute to the solution, given the fact that they themselves do cause serious problems.". The research spotted five types of companies, based on the way that they perceive and implement CSR programs. The first is the "non-sensitized" company that does not recognize its social responsibilities. They believe that social activities are just an expense that they are not willing to take. The second category is the "philanthropist" company that acts on the basis of the moral values and choices of its founder. Usually they conduct charity work that is not part of any strategic plan and it is not communicated. The third category is the "random sponsor". This company aims to gain good reputation through its sponsorships. The activities are mainly driven by the society and publicity opportunities. Again there is no connection

[15] Corporate governance commitment, the role of stakeholders and corporate social responsibility. (Spanos et al., 2008:474)

[16] "Who we are" www.csrhellas.org

with the company’s strategy. The next category is the “consistent sponsor” that aims at contributing to the improvement of the physical and the social environment. Their actions are connected with the strategy of the firm and involve their employees. The last category is the “active corporate citizen”, firms which place the CSR into the heart of their corporate philosophy.

Generally the notion of CSR is undeveloped in Greece. Recently it became a trend but it is still mostly undeveloped especially in non-listed companies.

The Shipping Industry in Greece

Greece has one the biggest fleets of cargo ships in the world. Greeks own almost 17% of the world tonnage (Theotokas, 2007). Although the share of traditional shipping nations decreased (Thanopoulou, 1995), the Greek fleet didn't follow the trend (Theotokas, 2007). Greek shipping increased its share in the world tonnage, from 14,1% during 1975 to 16,5% in 2006 (Theotokas, 2007).

Entrepreneurship

Metaxas (1988) insisted on the role of entrepreneurship for the development of the Greek fleet. Most of the Greek ship owners started their careers as ship officers. These ship owners started as entrepreneurs with single ship companies without having any experience in management (Theotokas, 2007). Theotokas and Harlaftis (2004) found that 39% of first generation ship owners started as ships' officers and 28% were working in a shipping company before creating their own. The rest are merchants (6%), industrialists (8%) and others (19%). Theotokas (2007:68) noted that "The case of Greek ship owners offers a paradigm of maritime entrepreneurship that is unique in shipping industry, at least in the last four decades during which a great number of new Greek ship owners entered the global shipping markets, succeeding in the majority of cases in creating a sustainable competitive advantage."

Human Capital

Barney and Wright (1998) noted that human capital could be the foundation of the creation of a competitive advantage. The ship owner himself, when he originates from the industry as an officer or as an employee, is a human capital for his firm. His deep knowledge of ships and ship operations and his expertise in the technical management of the ships is an asset for his start-up firm (Theotokas, 2007). This asset prevented newcomers to enter the industry especially those with a non-shipping background. This knowledge has been transferred to the next generations by the founders and secured the competitive advantage for the years to come (Harlaftis, 1996). Many heirs combined their studies in economics, management, engineering etc. with a practical placement at their companies in order to develop the same knowledge and gain similar experiences (Theotokas, 2007).

Theotokas and Progoulaki (2004) note that Greek ship owners still employ Greek officers for their ships, even on those that are registered under foreign flags, despite of the high salaries that they have to pay. These officers are the competitive advantage of the Greek ships and they offer their specific skills, knowledge and experience even when they are not anymore active ships' officers, onshore desk-captains. (Theotokas, 2007). Even now that the new generations have hired university-educated employees, the ex-officers are still used in many positions especially on technical and operation management.

Structure and Organization

Theotokas (2007: 72) describes very accurately the structure of the Greek-owned companies: "Traditionally, the ships are owned by ship owning companies established in some country that provides corporate and tax freedom. Each ship belongs to a separate ship owning company, which assigns the management of the ship to a management company also established in turn in a country providing institutional and tax freedom. The ship owning company acts as the principal and the management company as the agent. In most of the cases however, both companies are related to the same person or family. The management company establishes an agent in Piraeus, London or/and in other maritime centre, which undertakes the operation of ships".

Family Business

"The majority of the Greek-owned shipping companies are family owned and controlled" (Theotokas, 2007:74). These companies are established companies that survived the crisis of the industry; they remained small size by strategic choices (Theotokas, 1997). The control remains to the family even after the retirement of the founder.

Although some adoption of new types of corporate governance has begun, mostly because of the need for transparency, there is no sign that this leads to a separation of ownership and control. This is also supported by the existence of shipping banks. Theotokas (2007:75) notes that these banks "make deals based on trust and the reputation of their clients, which means that even small firm owners are able to draw finance for their companies' expansion". So there is no motivation, as in other industries, to transform the governance of the firm In order to have access to funds.

Another characteristic of Greek family ship owners is that even if the family decides to invest in non-shipping sectors as well, they always retain the original shipping company as their main activity or tradition (Theotokas, 1997). Even the next generations that may have different investment interests, retain the control of their shipping companies as a part of their portfolio. A reason for this commitment to (engagement with) the firm is the entrepreneurial philosophy that led to the creation of the company in the first place. The founder, as ex-seafarer, maintains a distinct business culture and core values such as hard work, trust, persistence and loyalty, that he transfers to his descendants.

Corporate Social Responsibility

The shipping industry is by nature quite different from all others. All Its activities are international and are very rarely connected with the home of the company. Usually a company has its base in a country with good corporate and taxation systems. It then establishes agents in global shipping centres such as London. The activities of the company take place around the world, under international laws and mainly under international agreements specific to the shipping industry. Shipping is a business-to-business industry which means that it has no clients from the general public and no interaction with public demands. The only things that can affect a shipping company are the demands of its corporate clients and of course the law. The nature of the industry gives no reason for advertising or other action of publicity. Theotokas and Katarelos (2001) note that any characteristic or action that improves the firm's image is worthwhile only if it reduces the cost of the services provided.

The most common area on which international bodies and organizations are focusing when considering the responsibility of the ship-owners is the working and safety conditions at the ships and the protection of the environment (Fafaliou et al., 2006). The International Maritime Organization is adopting obligatory regulations, such as the ISM code, that promotes minimum standards regarding the safety levels of the services provided by the shipping companies. Since these are obligatory codes while CSR initiatives are fundamentally voluntary we can't really say that complying with these codes is a subject of responsibility. Some companies move forward and adopt other codes, non-obligatory, which they use as tools~~?~~ to enhance their social responsible activities.

Galanopoulos (2002) argues that the number of Greek-owned companies that move toward CSR is increasing, and these companies are adopting non-obligatory tools like ISO certifications. Fafaliou et al. (2006:417) found that 70% of Managers, of Greek-owned shipping firms, perceive CSR as a concept of health and safety, and a 60% as a concept related to Codes of Conduct. Also 60% supports environmental activities and 40% promotes community relations and issues of public interest and human rights. We can see that for the majority of managers CSR is an internal issue that deals with their employees and their operations. Protection of the environment and activities of public interest are secondary concerns. Forty percent of managers also declared that the reason of engaging with CSR activities is to improve the employees' job satisfaction. Another 30% declared that the benefit from CSR initiatives is the owner's satisfaction. This last finding shows the connection of the owners with their companies and their employees. We can also assume that CSR is a vehicle for altruistic and philanthropic action on the part of the ship-owners.

Research Question

The largest part of the existing literature focuses on corporate governance and corporate social responsibility issues mostly for listed companies or companies with dispersed ownership. Recently though, there seems to be an increasing focus on the issue of corporate governance in family firms. In the last decade the research on this field has multiplied and it tends towards becoming a mainstream subject.

The vast majority of the research is done with quantitative methods, measuring the application of corporate governance and CSR practices. There is lack of qualitative evidence explaining why family firms act in certain different ways.

The case of Greece is no different. Most of the researchers are looking for qualitative evidence of corporate governance and CSR. These studies (Spanos, 2003, 2005; Tsipouri and Xanthakis, 2004; Xanthakis et al., 2003), mainly focus on listed companies since the Greek law regulates only the listed companies' corporate governance issues. A small number of academics (Fafaliou et al., 2006; Spanos et al., 2008) are trying to approach the family firms, starting with the listed ones, and moving to the more traditional, family owned-controlled and managed companies.

There is still lack of qualitative data that will explain the behaviors and patterns that become apparent in the quantitative research. The purpose of this dissertation is to attempt to explain some of the behaviors that are evident in family firms concerning their corporate governance and CSR initiatives.

The main question is to find out what are the drivers of corporate governance and CSR in family owned and controlled firms. In order to achieve this some other questions should be answered concerning the governance model of the firm, the chain of command, the ownership structure, the role of the board and the CEO and the motivation (if any) for good corporate governance. I will also try to trace their views towards the concept of CSR and their reactions. I will investigate the family values of the founding family and the relations with the company and its culture. Finally I will locate the stakeholders of the firm (as they are perceived by the management) and their role in the company.

For my research I chose to do a single case study in a Greek, family-owned and controlled shipping company. The reason for this is that shipping in Greece is a major industry and it is dominated by family ownership. The specific company has been mentioned elsewhere in the literature (Fafaliou and Theotokas, 2006) as an exception of big success and good management, so generalization is not possible, but it can be used for comparison reasons.

RESEARCH METHOD

I divided this chapter into two parts. In the first part I am giving the theoretical approach to my research method, explaining the paradigm, the methodology of research and data analysis and the ethical implications. In the second part I am presenting my research log, the practical steps and the procedures that I followed. I am outlining what happened during the interviews concerning the procedures. I believe that this separation is necessary so that anyone could follow the same procedures in the future and validate the findings as it is proposed by Yin (1994).

Theoretical approach

Paradigm

The paradigm that I followed falls within the broad category of Interpretivism. My purpose is to try to understand the drivers of Corporate Governance and Corporate Social Responsibility in family owned and controlled firms. In Interpretivism the researcher interacts with what is being researched because it is impossible to separate what exists in the social world from what is in the researcher's mind (Smith, 1983). My research is based on interviews and, as I was expecting, I received different opinions and different realities from each one of the participants. As an interpretivist researcher I am likely to get biased answers since my research is driven first of all by my personal values. This is why I conducted the interviews cautiously and avoided, at least consciously, manipulation of the interviewees. I had to state my questions in a manner that would not lead to the answer that I was expecting and that would make the subject give an unbiased opinion.

I have chosen the interpretivist paradigm because I believe that it is best serving my purposes for a qualitative research. There are some quantitative academics in the field of Corporate Governance who are conducting research in Greece such as Spanos L. and Xanthakis M. But there is almost no research conducted from a qualitative point of view that explores the reasons for adopting Corporate Governance. This is one of the reasons why I chose to conduct qualitative research. An interpretive study may lack reliability, since it is based on people's views that can easily change, but it is high in validity since the information comes directly from the source (the people of the organization) which means that the findings accurately reflect the phenomena under study. "Interpretivism focuses on capturing the essence of the phenomena and extracting data that provide rich, detailed explanations." (Collis and Hussey, 1997:57). "Reliability under an interpretive paradigm is of little importance or may be interpreted in a different way (Collis and Hussey, 1997:64).

By following a positivist's paradigm and by conducting a quantitative research I would not be able to explore in depth the values and the circumstances that are leading to specific behaviours – such as adopting Corporate Social Responsibility strategies. I could, though, be able to present some facts that could give the means for generalizations beyond my study. This would be adequate if there was a hypothesis that I could test. The problem is that we do not have sufficient literature concerning the Greek case or in general family-firm driven markets. The Anglo-Saxon model that is the dominant one in the western economies is mainly driven by multiple shareholders (La Porta *et al.*, 1999). Collis and Hussey (1997:63) note "Under an interpretive paradigm, you may not wish to be restricted by existing theories or there may be no existing theory. Therefore, you may carry out your investigation to describe different patterns that you perceive in the data or to conduct a new theory to explain the phenomenon. If the research was an exploratory study, the findings could be used to develop hypotheses that are tested in a subsequent main study." It would be interesting if this research would be used for theory building that could later be tested by quantitative means. Finally, it's impossible for the purpose and the means of this project to use large samples for a reliable and rigorous research. The need for a big population that would be proper for generalization is high and my time limits are short for that kind of research. In addition the results of such investigation would not explain the reasons behind the phenomena but only the size and maybe some general views of the people engaged. A numeric result could be useful if we already had some data from in depth research that would form a theory that we could validate.

Methodology

My chosen methodology is a typical one for interpretivist research, a case study. Case studies are used to explore a single phenomenon in a natural setting using a variety of methods to obtain in-depth knowledge (Collins and Hussey, 1997). For Yin (2003) the characteristics of a case study are: 1) the research aims to explore certain phenomena and to understand them within a particular context; 2) the research does not start with limits within which it will take place; and, 3) the research uses multiple methods for collecting data, both qualitative and quantitative. Stake's (1995: introduction XI) definition for case study is "Case study is the study of the particularity and complexity of a single case, coming to understand its activity within important circumstances".

For the purpose of this research case study is the chosen method since I am trying to study in-depth behaviours and actions of the people leading a specific firm. The procedures of a firm are not always typical or as described in manuals, especially in a family-owned firm, where most decisions are taken by the family members who are engaged in the management of the company and he procedures and the reasons of each action are not always made for the best interest of the firm. As Randoy and Jenssen (2003) note, family owners could favour family interests over the firm's interests, because of loyalty toward the family. In this context it is important to conduct an in-depth research that will reveal the interior motives of each member of the managing team and the "rules" or "principles" that drive them. This is supported by Hartley (2005) who states "Case study is also a useful technique where exploration is being made of organizational behaviour which is informal, unusual, secret or even illicit. Case study can also be used to understand everyday practices and their meaning to those involved, which would not be revealed in brief contact".

The type of my case study is a combination of two of the categories that Scapens (1990) illustrates: *descriptive*, since I will try to describe the current practices of a particular firm and *illustrative*, since I will try to illustrate the new and possible innovative practices that are adopted by this family firm. The fact that family firms are acting differently in their decision making process than "normal" firms indicates that it is possible that they may act differently or in an innovative way in their Corporate Governance and Corporate Responsible strategies.

To be able to conduct my research I decided that my case should meet the following conditions: The firm under study

1. Must be family controlled firm, which means that more than 50% should be owned by a single family.
2. Must have its headquarters in Greece. The operational offices must be based in Greece, but not necessarily be a Greek company (in terms of legal status).
3. Must be a big company as the EU defines it, which means to employ more than 250 employees.
4. Must not be listed in the stock market. Most Greek companies are not listed (only about 280 companies are listed). Also there are rules for Corporate Governance initiatives that are regulating the listed companies as well as Codes of Conduct introduced by the Hellenic Capital Market Commission and the Federation of Greek Industries.
5. Must be accessible for research.

The last condition especially was particularly important because the time limits are tight and the accessibility to that kind of information is difficult for the outsiders. As Yin (1994) noted, cases are chosen because of they are unusually revelatory, extreme exemplars, or opportunities for unusual research access. Similarly Otley and Berry (1994) note that opportunist case studies are where the opportunity to examine a phenomenon arises because the researcher has access to a particular business, person or other case. To choose a case having to put criteria is also supported by Eisenhardt (1989:537)"While the case may be chosen randomly, random selection is neither necessary, nor even preferable". In my case I had to combine criteria but also take under consideration the accessibility to the information. For Yin (1994), accessibility is a criterion and it doesn't affect the validity of the findings.

I decided to make a single case study, opposing Yin's (1994) suggestion for multiple case studies. Yin (1994) argues that multiple case studies are providing stronger base for theory building and theoretical generalization. On the other hand Myers (2009) argues that using a sampling logic to judge the validity of the case method is a common mistake of researchers. He also argues (Mayers, 2009:240) "case study research does not use sampling logic. Sampling logic and statistical theory are what are used when you conduct survey". Both Yin (2003) and Myers (2009) point out that case studies cannot generalize to the population (even the multiple cases) but only to the theory. For me since there is no obvious reason, neither available resource I decided to conduct a single study. It would be interesting if there were case studies with similar criteria but from different financial sectors.

My case study was conducted in a family firm that is engaged in the shipping sector, a typical and important Greek industry as mentioned above. The shipping sector is ruled by family firms, and most of them are multinationals. In the particular firm the decisions are made by two members of the family from two different generations. Also involved at the process of decision-making are some executives of the company. During the first contact with them, when I asked and finally received permission to conduct my research, I was informed that the whole shipping industry has a different way of governance. In the centre of the decisions is the family and some high-level executives are just advisors. In general, boards are non-functional.

That last clue is affecting the method of data gathering. I conducted interviews with the members of the board and some high level managers. Since no board is acting, I had to focus my interest to the executive members of the family and their advisor team that has an opinion in the decision making process. Also since I am trying to examine the motives and the values for Corporate Governance and Corporate Responsibility, it is vital to have the views of the family members. Since the firm is built on a person's values, my interviews were concentrated on extracting these values from the members of the managing team.

Open interviews are commonly used as a data collection method in qualitative case studies. Eisenhardt and Graebner (2007:28) note "Interviews are a highly efficient way to gather rich, empirical data, especially when the phenomenon of interest is highly episodic and infrequent". Kvale (1983:174) also notes "qualitative research interview is an interview, whose purpose is to gather descriptions of the life-world of the interviewee with respect to interpretation of the meaning of the described phenomena".

Data analysis

Scholars argue that analysing qualitative data involves challenges. Robson (1993:370) states "no clear and accepted set of conventions for analysis is corresponding to those observed with qualitative data". Morse (1994:23) notes "despite the proliferation of qualitative methodology texts derailing techniques for conducting a qualitative project, the actual process of data analysis, remains poorly described".

For the analysis of my data I followed the instructions by Collis and Hussesey (1997) who are describing a well-organized process of data analysis. I started by reducing the data collected from the interviews. I removed any information acquired that wasn't useful for the current research. For the conduct of the interviews I used digital recorder to record all the interviews in digital format. That requires a lot of time for transcription but there is no need for detailed note taking during the interview. Another advantage is that during the transcription I was able to spot any "verbal signs" that state sarcasm or other special ways of speaking.

After the transcription I narrowed my data to those really needed. The quantity of data is connected with the planning of the research. As Morse (1994) argues the researcher should be familiar with the literature so he will be able to spot the interesting parts for his research and not create a plan that will seek irrelevant information.

Coding of data is also important especially since I had to separate the opinions of each interviewee according to their position. Each participant had his own opinions and arguments based on his personal values and experiences. These different values and opinions had been coded and made easy to access for the analysis.

I also summarised the findings of each interview in a way that I was able to compare them and spot any patterns between the views of the interviewees. These summaries had been useful when I had to refer to the theory and draw conclusions and construct generalizations from my findings.

Ethical implications

Interview-based studies always have ethical implications. After agreement with the firm I decided that neither the names of the interviewees nor the firm would be mentioned in the study. Also, every participant was provided with a description of the research and his rights as a participant.

Since the purpose of this research is to illustrate specific behaviours from a specific firm, but not to generalize, “anonymity” does not affect the results and insulates the reader from personal biases regarding the firm.

Research Log

At the beginning of the research, the main objective was to find a firm that would match my criteria. The company was found through personal connections and relations with the founding family. This personal relationship was the key to gain full access to personnel and be provided with full co-operation with the management team. A liaison manager was appointed (the CFO) to assist me with the interviews and the preliminary questions. After a meeting with the legal advisor of the firm it was informally agreed that no names will be mentioned or the name of the company due to the nature of the information that would be provided.

I decided that I would interview four people, three members of the top management and the family-member who is the owner. The three officers that participated at the research hold the positions of CFO and the Legal Advisor, of the holding company, and the General Manager of the main, from the three in total, shipping management companies[17]. The last person is the CEO who also holds the chairman's position of the holding company. He is second-generation family member and he runs the firm on behalf of the family. During this dissertation I will quote the interviewees only by their position.

I conducted a first meeting with the liaison officer to acquire some general information for the company since there is no on-line or publicly accessed information about them. During this first meeting I was informed about the structure of the firm and its legal and ownership status. During this meeting it was also decided to whom I would talk. I provided the officer with a cover letter addressed to the participants, explaining the nature and the purpose of the research. In this same letter I also stated their rights and all the contact information where they could address any questions prior, during and after the research. The interviews were held at the headquarters of the company in Athens during two days. On each, two, two-hour interviews took place. The language of the interview was in Greek but several times English terms were mentioned since they are universally used in the business environment. The interviews were tape recorded with two digital recorders and then transcribed and translated by me. The transcripts were sent individually to the participants to validate their sayings and add anything they might think they forgot. I need to note that no one added anything or made any corrections. Each interview consisted of 12-15 pages of script on average.

For my research I used semi-structured interviews letting the participants state their opinions and views. I only guided the interview when their answers became tangential to my focus which was the drivers of their actions rather than the actions themselves. The questions were driven by the literature that I have presented in the earlier in my dissertation. The structure of the research was based on another similar qualitative research by Jamali et al. (2008). Their design was appropriate for the nature of my research and fitted the desired format.

I separated the questions into four informal groups. The first one dealt with the structure of the firm and its decision procedures. In this same group I also investigated the role of the interviewees and their influence on the family. The second block of questions was addressing internal procedures and the internal stakeholders such as the employees. The questions addressing the values of the firm and their drivers were also included in the second block. In the next block I addressed issues of corporate social responsibility and the views towards this notion. The discussion was about the current situation, the special issues of the

[17] As I described earlier the usual structure of a shipping company includes a holding company, some management companies and several owning companies that usually own one ship. The role of the management company is to operate the ships and is the main vehicle of the firm.

maritime industry and the role of the external stakeholders. In the final part I asked the questions concerning issues of the family and issues of succession.

All the participants answered based on their experience at the company but also from previous employers and well-known cases of the industry. The anonymity provided them with the comfort to comment on their current employer and the working conditions but also to provide me with information about the industry in general.

After the transcription of the interviews, I categorised the data according to these four blocks. During the analysis I tried to connect my findings with the existing literature. Some of them validated some already noted patterns of behaviour. In other instances I found that the specific firm acts differently or that there is no other similar recorded behaviour till now. The purpose of the analysis was to identify the drivers of corporate governance and corporate social responsibility, if any. Then I tried to explain some of the recorded actions and views and to compare them with the existing literature, especially the literature regarding family firms. My secondary objective was to investigate if there are differences in the drivers of CG and CSR compared with the previously recorded drivers in non-family firms. For the purpose of this dissertation I did not conduct any research on non-family firms but I did attempt to use the existing literature to reach to a conclusion.

RESEARCH FINDINGS AND DISCUSSION

In this chapter I will present the findings of my research and I will also proceed to discussion. I will present my findings in four categories, similar to those that I used during the interviews. The first category will include the corporate governance of the company, the decision making process and the role of the interviewees. The second category will refer to the values of the firm as well as to the internal stakeholders of the company and their role. The third will consider corporate social responsibility including: the views of the interviewees towards CSR; their opinion on the present state of CSR in Greece and in the shipping industry; issues concerning the external stakeholders, such as suppliers and clients; and, issues concerning the employees of the company. The fourth and final category will deal with the family, their values and the issue of succession. Each chapter will be followed by the discussion of the findings.

Corporate Governance

Structure of the Company

The company consists of a group of companies with a main company acting as a holding company. Next in command and most important are the three management companies dealing with operations, which is the core of shipping business. Two of the management companies are based in Greece and the third one is based in China. The rest of the companies each owns a ship of the fleet. None of the companies is listed and the founding family owns them by 100%. The company as a legal entity is a foreign company; meaning that legally it is not a Greek company. The managing headquarters though are based in Athens, Greece. The CFO and the Legal Advisor (LA) are working for the holding company and have the responsibility in their areas for all the subsidiary companies. The third officer is the manager of one of the management companies. The CEO is also the chairman of the board of the holding company. He is the eldest son, and successor to the founding father, and he controls the company. The second generation consists of three sons. Each one controls a different investment portfolio in different industries. All three are shareholders by the same amount of shares in the family companies but each is responsible for a different industrial sector. Typically the shareholder meeting is a family meeting with the father as an advisor.

Board of Directors & Decision Making

The three officers agreed that there is no active board of directors at any of the companies. The board of directors is replaced by an expanded family meeting. Depending upon the subject of the meeting, sometimes all the members of the family participate. For everyday procedures only the CEO participates on of the family and, occasionally, the father. The other participants in these meetings are the financial advisor of the family, the CFO and the Legal Advisor who also acts as an LA for the family. Also depending on the issues that will be discussed other officers may be included if their expertise is necessary, for example technical officers.

The LA and the CFO noted that in many cases they may act alone if it is within their competence. The LA argued: “In big organizations someone has to take the decisions. Two or three people here take the final decisions. If it is in my area, I will take the decision. Unfortunately decision-making is not a capacity that everyone has. Decisions are taken by the one who also takes the risks.” All the interviewees agreed that when it comes to strategic decisions the family has the last word. The LA noted: “All the strategic decisions are reserved for the family". The CEO declared that: "usually the big decisions are coming naturally. The small ones can be taken by each one that is able to take them and in cooperation with me," He also added that if he and his family decide to do something no one has a VETO over them. They are open to arguments but only if these are well presented. He notes, though, that till now they never had a disagreement with their officers.

The two officers confirmed that their opinions are always taken into account as long as they have proper arguments. They feel that they contribute to any decision, offering both their expertise and their experience. The CFO states that internal discussions are taking place all the time, and decisions are usually well discussed on a daily basis. He notes, though, that, even after these analytical discussions, presentations and debate about the numbers, it is always the family that makes the final decision. The other officer agrees that there are plenty of internal discussions but reiterates that it is the family which decides. He adds: "Till now we always had an agreement … from the moment that the decisions are taken, we are doing everything possible to apply them and achieve the goals that have been decided". He argues though that in shipping there are special cases. "We are not a company that is based in one place with all its operations. Our ships are everywhere in the world. In a case of an emergency the only person that takes decisions is the Captain of the ship. His decisions of course affect not only his crew but also the whole company. After the problem is solved then we can see if he made the right decision. While the ship is sailing the only decision maker is the Captain".

The third officer believes that any advice in strategic decisions is indifferent to the family. He believes that in some point their advice: "may be taken into account but how and at which level depends on the subconscious of the decision-maker".

At the outset, the CEO noted that a big difference with the past is that modern family firms have more non-family officers and remarked that there is no point having them if you are not considering their advice. He also argued that in family firms the difference is that decisions are taken faster than in non-family firms. The CFO agreed and stated: "the nature of shipping industry needs fast decisions. We don't run five years projects. The developments are really fast and we need fast decisions from a small team".

Concerning the monitoring systems, the CEO argued that it is really difficult for someone to take advantage of the firm. "The nature of the shipping industry and the technology leaves very little opportunities for misbehavior. Everything is electronically monitored. Also if someone wants to do something against the interests of the company for personal gain, he will have to talk with at least three to five people and organize it. It is really difficult to do that. Even for the people that work for us in other countries it is very difficult and unlikely. Also they don't have the motive. Only a director could possibly have the means to do anything, but why risk his career and future for peanuts? Even for me it is difficult and certainly I don't have any reason to steal from my siblings or in the future destroy my relations with my investors.".

<u>Need for Corporate Governance</u>

The CEO argued that, since the firm is family owned and controlled, at present there is no need for corporate governance initiatives. "I am not going to steal from my siblings! These are the only shareholders and I am not planning to do something like that!!". If in the future it becomes a public company, the family will reconsider their methods and they will follow all the appropriate laws on corporate governance.

The CFO noted that, so long as the company is 100% family owned, even were the CEO not a family member, the result would be the same. The family controls the company and could replace him at any moment if there were any disagreement. The existence of an external CEO at this time could be useful only if none of the descendants was interested in running the company. Then the CEO would act as an agent as in any non-listed, non-family company. The CFO also argued that the use of corporate governance is best suited for larger corporations which really need practices and regulations to be properly controlled. He also adds, commenting on the big corporate scandals, that "People are the same. If someone is greedy as an owner, he will be the same as a shareholder in another company or as a CEO in a third company. The scandals are big, just because the numbers are big. They are happening even in small firms, but the caliber is not the same".

On the issue of getting listed, he believes that "you may have more legal obligations towards your minority shareholders but this doesn't change your way of doing business. They are your shareholders because they know how you do business now and in the past and they approve that." He adds: "If you are trustable, this doesn't change whether you are listed or not. You have more reporting and transparency measures but you don't change your way of doing things". As for the present, he states that their existing credentials are "the name of the company, the history and the present".

Discussion

The structure of the firm is a typical one for the shipping industry but also for family groups. Although there isn't one single holding company that controls all the family firms in different sectors, each sector has a major holding company. The holding company for the shipping activities of the family follows the typical structure of shipping companies in Greece. Despite of the existence of multiple subsidiaries, the family holds the functioning managing positions. Most of these subsidiaries only exist for legal purposes and not physically, with functioning bodies and operations.

We can see that, as it was proposed at the literature review, family firms don't have functioning boards of directors. The model of the family meeting with a closed circle of executives replaces the board. The family takes the decisions after consulting some of the officers. Although it is clear to everyone that the final decision is reserved to the family, it seems that the new generations of family members place more trust in non-family advisors than the founding generations. It seems also, that family firms are adapting, maybe more slowly than non-family ones, in the modern way of doing business by hiring more non-family advisors. Also as the size of the firm is getting bigger, family members may not be sufficient to cover executive needs. Family firms are not yet adopting a fully independent board of directors but it seems that they are aware of the current and potential contribution of professional managers to their firms.

In our example, the CEO and the chairman of the board are the same person, a family member. It seems, though, that, even if the CEO were a non-family person, the difference would not be significant. Since the family controls 100% the firm, the CEO would only act as a steward for the family.

Concerning corporate governance issues, it seems that family firms are not narrow-minded. New corporate governance initiatives can be introduced if this is legally required or if it is helpful for the purposes of the firm. For now, since there are no other minority shareholders, there is no actual need for new measures. It seems that, at least the new generations, have knowledge of the market needs and they are willing to comply with those if it necessary for their business. Monitoring systems though seem not to be the first issue due to the nature of the shipping industry. Maybe in a financial institute this would be a major issue, but with a “heavy industry” such as shipping the risk for misconduct is slight. It is evident though that a family firm has the advantage of the “identity”. Family has as guarantee the history and the name of the firm. Investors are aware of who the controlling family is and how it is doing its business. In the case of external investors’ participation, they should be expecting the same management style and performance, and that’s what they are investing on. For the family, any external investor should believe in their work and they should want a share of the success and not an opportunity to change things, as long as the controlling family respects their rights as shareholders.

Firm Values, Internal Stakeholders & Procedures

Firm Values

All the interviewees agreed regarding the three core values of the company. The CFO summarized: “The first part has to do with the human recourses, which is also the most significant. The second value is that we as a company are conservative, now and in the past. We have stable relationships with our people but we are also conservative when we are doing business. That is why, now with the recession, we don’t have big problems, we are investing conservatively. Our third value is dealing with the safety and the management of the ships. Especially on this last issue our company is providing only the best that a company is able to offer”. According to the CFO these values have existed since the beginning of the company. “The capital structure, the safety and the well being of our people are always our top priorities”. As far as these values are concerned he argues: “You can’t gain them at the business schools. You have to be ethical by yourself. For our company this was a personal decision of the founder thirty years ago.”

The CFO said this was ingrained in the culture of the company: “We give value to the people. There is the view here that we are all together in this company, and this company is about the people”. He also argues that in the company no one is yelling or insulting someone else. It is not in the culture of the company that people have more rights because they are higher in command. Everyone is equally respected~~?~~ and everyone’s job is valuable. He notes that these values and the culture of the company are one of its assets. “Even in the extreme case that one day the company will be sold, whoever buys the company has to take the culture and the values. If not, then he is not buying this company but something else”. The culture of the company is not something written: “You can’t establish a culture by giving speeches and printing leaflets. If someone sees many leaflets then he is becoming suspicious. It is better to try to keep up to the true meaning of the culture, even if you never print anything. The culture of a company always starts from the top.” He argues that if the family is working and behaving in a certain way, everybody is following. There is no need for behavior manuals, since interaction on a daily basis is shaping the culture in each one.

The LA notes that in any family business “the values of the business depend on the values of the owner and manager. One should take into consideration the problems that may occur during a specific period as well as the owner’s deep views about his firm. Generally as far as the well being of the employees and their needs are concerned, we don’t have communist minded confrontations. If the employer wants, and that has to do with his values and his status, he will provide his employees with the necessary means. Here we are lucky since our employer was always people oriented”. He also believes that the founder knew that by keeping his people happy he would also make money. “He knew that even a phone call from him to a sailor during the trip would raise his productivity. By treating him as a human being he gains much more than others who believe that by reducing the food provided during the trips they would make money. The bad thing is that this is up to the owners values. If you don’t like it, you can’t do anything other than leave.”

The Legal Advisor also argues that family firms tend to form a brand identity and a culture more easily: “For listed and non-family firms it is very difficult to form a brand identity. Only the Body Shop and few others managed to have a clear culture that became part of their brand. All the values are coming from the family. If they only care to make profit and try to do it at any cost, then everyone in the company will behave similarly. If the employer is behaving ethically, then, at least most of them, the employees, will follow.”

The CEO believes that the firm is an ethical one. He notes: “this is how my father started and this is how I am continuing now”. He also added that this is how he feels that he should act. “Maybe it has to do with how I was raised. I don’t believe that if I were raised differently I would act the same. Maybe yes, but it would be difficult to behave like that [ethically] if my father didn't".

The Manager states that the most valuable asset of the company is the people. The values of the company are transferred to each one of them from the first day at work. In relation to the ship officers he says, "the values are introduced during their training even from the times that they are still cadets at the merchant marine academy. When we approach them during their studies we are introducing them to our values and if they agree they are becoming part of our family.". "Also from their first trips as cadets on our ships until they have risen through the ship's hierarchy all the senior officers are mentoring them with our values. In any case they can also realize our values during their work. They see the behavior and procedures, the way of living and the respect of their colleagues. For them, since they are traveling a lot, this becomes a way of life. And when they are on shore, they are still in contact with their supervisors. They never lose contact with the company and our values." The Manager argues that all these things are part of the company. He believes that written rules of behavior serve just for legal purposes. "Everything is on our conscience, the respect for our colleagues and for the company. We don't need a piece of paper to tell us how to behave and why! Respecting the environment and the people is something that you need to believe in and do it. It is not something to be written somewhere and then try to avoid it. We should do everything possible to respect these values. Especially the protection of the environment in our days is very important. Environment, people and transparency are the core values".

<u>Internal Stakeholders & Procedures</u>

It was clearly illustrated in the previous part that one of the core values of the firm is the well being of its employees. Employees are usually the main stakeholders of a company and they are characterized as the internal stakeholders (separating them from the external stakeholders such as society or NGOs).

The CEO argues that people in the company seem to be satisfied: "Most of the people here stay with us for their whole career. Even at the ships where the contracts last for a seven-month period, they always return. He also adds that most of the managers have retired from company ships. Personal relationships are our criterion and our goal for our people. This is why we have our own pool of people from which to choose for our management positions. We are rarely hiring from the market".

The Manager clearly states: "The source of the company's wealth is the ships. And the ships include the personnel. And the bond with those people is very strong. Every level of personnel, from low crew to the officers, is valuable for the firm. The procedures that are followed for briefing and debriefing are also the means by which the employees contribute to the decision-making process. "Everybody, but especially the ship officers, will always visit me before and after their trip. Of course they will report to their seniors and supervisors but they will also meet me at a higher level. They will also meet each other during our regular training programs that we run for all the levels of personnel and where everybody participates at the same time and place. The people here feel safe. They can talk to me, or even to the CEO, for any problem. Everybody can go and see the CEO for any concern. You don't have to come through me or anybody else to reach the CEO. Generally they have direct access to anyone in command. I am not sure that this is very common in "shore-firms" or in non-family firms. For us it is a rule and we consider this feedback necessary".

This procedure of "open-access" is argued to be the policy for stakeholder engagement. "During these meetings we also inform them about the companies' decisions in general and the future plans in particular. We need their opinions and if we have any plans for change, we need their efforts and contribution to succeed. Our people are our success. We have a pool of people who do not worry whether they will have a job the next day. They will always have if they want to. Even in the cases where we have to replace some ships and some people will lose their jobs as a consequence, we will take care of that. We negotiate with all the ship crews and we usually reduce the working time for some people to be able to offer work to more people. This will happen of course only for a brief period of time, till we receive our new ships. Our people know that we will not abandon them. They know it since 1974 when the company started." It is evident that the sailors agree with that. A percentage between 85% and 90% of the officers are people that have been working for the company during their whole career. "Our goal is to choose these people when they are still at school, and keep them for their whole career. It is very important to work with people that know how you work and why you are taking any decision". The Manager also noted that it is very important for the people and especially for the officers, to know that they can contribute to the company after their retirement. "Most of the heads of departments, especially those departments that deal solely with the ships, used to be our top ship officers, captains or head engineers. It is important to know from the beginning that even when you complete your career you may be able to move to the management team of the company. This is also our way to have the best people in our company".

The CFO also supports that a very important factor, and way to measure the employee satisfaction, is the very low turnover of their employees, either those at the offices or at the ships. He notes: "I have two reasons to be glad that I work here. First, as a career choice, I work for a big company where I gain more experience and I have the opportunity to do many things. On a personal level, I feel safe and I think that most of us who work here feel the same, because I know how this family thinks and how it decides. I know that they care about the long-term existence of the company, so I know that tomorrow I will still have a job. It is also important to know that everyone in the industry knows about them and respects them. Fortunately for me but unfortunately for many people, I believe that this company is one of the very few that someone should happily want to work for." The family is also dealing, as is to be expected, with the recruitment process: "The main criterion for one to get a job here is not one's qualifications, which of course is an important factor, but one's character. People with a good character and a good family background have more chances to be hired. Also most of the people working here had a relation with someone from the company. We knew them or their families. To fit in this company you need to have a certain character. I believe that someone may have very high skills, maybe better than anyone here, but if we can't cope with him due to his character, no one would be happy". He also argues that everyone who works at the company has full knowledge of the status of the company and its future plans. "Everyone knows how the family works. There are personal relationships and personal communication here. On the issue of a sudden closing down of a firm, something that we see happening in non- family businesses, we argue that nothing is sudden. If someone wants to close down a company you can see the signs, reduction of operations, layoffs, etc. The case usually is that these are kept secret in some companies. Here everyone knows and stays updated about the situation of the company. People that work here know that the family in the last thirty years has never shown any intentions of doing something like that. Most of the people work here from the first days of the company. Others are children of employees who worked for us from the beginning." The CFO also argued against the theory that a board of directors is a solution for everything: "It is much better for everyone to have a family run the company. You know them and you know how they do things. Imagine a multinational with offices in thirty countries. Someone in the office X doesn't know what is going to happen to him because of a decision in the office Z from someone that he has never met. Only through personal contact and everyday relations you can understand how things work".

The LA also agrees that the main qualification to become an employee is to have a character compatible with the company's values. "If the family likes you, you don't need five degrees and seven interviews". A big minus of a family firm is that after a certain level in the work hierarchy, there is no access for someone at the top management. "It is known in advance that the position of the CEO and maybe other top positions in the future are reserved for the family".

Discussion

The findings suggest that a strong culture and clear values are an asset for a company. The values of the firm seem to be strongly linked with the values of the founding family. The interviewees argued that if you remove these values from the firm, the firm would be something completely different. The well being of the employees is a basic constituent value of the firm's culture and this shapes a whole philosophy towards internal stakeholders. Personal relationships and constant communication between stuff and management seems to be working as a bond and creates common views towards the firm. By including the well-being and the safety of the employees in the front row of the firm's interests, it is evident that the employees' moral and productivity is rising. The person as the heart of the company and its activities seems to create a good corporate culture with small turnover of employees and sincere trust between employees and employers.

The key to success, for any firm, is to be honest and promote a corporate culture. It is arguable whether campaigning to promote a firm's culture is helping to establish one. Again, personal relationships and the everyday behavior seem to work better towards that goal. It has been noted that sometimes promoting such things may have the opposite result, since people are becoming more suspicious.

It is also appears important that people to devote themselves to the company for their whole career. Ships' officers, especially, are engaging with the company and continuing to work for the firm from the time they are at the merchant navy academy until their retirement. Another interesting issue is that retiring ships' officers, who wish to continue to work for the company from a different post, fill many of the management positions. It seems that the culture of the company promotes the idea of a big corporate family and employees perceive it like this. For a company it is important to have a pool of people to count on for the management positions. On the other hand this may affect the productivity of the company since many, potentially better, managers will not have the opportunity to offer their services and experience to the company. Also the recruitment criterion of "good character above any qualification" narrows the talent pool available to the company.

The research revealed that internal procedures such as briefings and training seminars help to keep the employees informed on the plans and the current position of the firm. Policies such as "open access" to anyone in the chain of command are strengthening the trust of the employees in management. Also these policies promote transparency and open flow of information. It is quite important, especially for the protection of the interests of the internal stakeholders, for someone to be able to access the high levels of management and the CEO. Many times problems occur when the middle managers don't transfer the employees' feedback to the top level. In our case an employee can approach anyone in command to raise an issue or to provide feedback. It seems that this open flow of information creates a safe environment for the employees towards sudden corporate changes. We have witnessed many cases in the past, in non-family firms but also in family ones, where employees are becoming aware of a situation only when it is inevitable and when there is no time left to react.

The overall policy towards internal stakeholders seems to be working till now. It would be interesting to explore the idea of what might happen if other shareholders existed, especially in relation to recruitment policies that favor friends and relatives and not qualifications and excellence.

Corporate Social Responsibility

Views on CSR

All four interviewees are aware of the notion of CSR and how it is implemented in a company. They question however the reasons for which a company engages in CSR.

The LA agrees that CSR is a very nice concept. He argues though: "Academically you should look out the quotes of CEOs of big institutions back in the 1970s and now. Back then they were declaring that the purpose of the company was to satisfy the costumers, to provide jobs and to make money. The CEO of the 2000s declares that the purpose of the company is to make money for the shareholders. It would probably be better to have the old values and goals, because those goals were socially responsible, than having now all these CSR programs - giving scholarships or building villages in Africa - while at the same time the company doesn't respect anything when it comes to profits." He argues that in Greece in particular the concept of CSR is extremely new. "Seven years ago no one cared about CSR. There were two or three companies engaged in CSR initiatives and policies. Now there isn't a single company that runs advertisements on TV that wouldn't mention its CSR programs." He believes that the concern is not always genuine: "It is not possible that all these people came to appreciate the value of CSR just in five years time. They did it just because if they didn't someone else would, and they would lose their customers. And, unfortunately, this is the case for 99% of the companies out there".

The CFO argued that shipping has many differences from shore-based industries. "First of all we don't deal with consumers. We are a business-to-business industry. So our consumers seek for quality and good prices. Initiatives like 'Best Place to Work' don't fit with the industry. Also in my opinion, and as far as I know, most of the companies that are distinguished as 'Best Place to Work' generally pay very low salaries. This is why they are trying to find other ways to attract employees. Also in our industry everybody knows what is happening in the other companies. We don't need to promote our company in one way or another. More specifically there is no need for someone, from outside the industry, to come and evaluate us based on a fixed questionnaire. There is no value in that for us. It may be useful in other industries but it isn't in ours." He also argued that there is no benchmarking mentality in the industry. "Even if we do something, no one will follow if there is an extra cost. For example we, as a company, always had many ships under the Greek flag [which provides for better wages and working conditions than those aboard ships flying third-country flags of convenience]. We never advertised it, but everyone knew it. Again no one followed our lead. Some others on the other hand, are having two or three ships under the Greek flag, and they are promoting it like a unique and responsible behavior. We have approximately 25."

The CEO noted that people are changing, and now even family businesses are adopting socially responsible initiatives, most of them focusing on environmental issues. "Even the Greek family shipping firms tend to follow the new trend. They are getting more organized in general, they have more advisors and they are developing a corporate philosophy. They understand that there is a problem, which is environmental, and they are trying to help. I believe that they are doing it genuinely. I think that it is not easy to do something if you don't understand it or believe in it. Today the law and the international initiatives can also assist someone to adapt." He clarifies the differences with other industries: "The commercial companies, which have consumers from the society, should consider CSR very seriously. We are not a commercial sector. We don't sell products, so for us there is no value in CSR, at least from the perspective of good image. We do not take money from the society or the country. We operate globally. Neither do we sell nuclear or conventional weapons, in order to need to do something to sweeten the pill and improve our image!" He adds: "Some of the other firms that we have as a family are more involved in

CSR. And this is because they address to consumers. Again, even there, we don't advertise the fact a lot. When we do, it is mostly to confront allegations that are not true. Then we have to reveal some of our measures and programs. But this is not why we do it in the first place."

Stakeholders

The company doesn't have any CSR programs, at least not as part of its strategy. Due to the nature of the industry the company focuses on the employees and on environmental issues.

The Manager noted: "The company always supports its employees, beyond the conventional and legal obligations. If someone has a problem we will be there for him, and that has been proven all these years. "Concerning the environment we respect it and we do whatever possible to protect it. We have established procedures and we are always updating them according to new technologies and developments. We are not waiting for a new system or convention to be applied. We are doing our best to be ready far before it is legally binding. And we are doing that for environmental issues but also for issues of working conditions and safety on the ship." He argues that the company's voluntary efforts are always one step ahead of any international convention or new crew qualification. "We have already adopted the Maritime Labor Convention (MLC) which is going to be active in 2012. We are already qualifying our ships and procedures because we believe that the MLC is in the correct direction and we support it".

The CEO added, "Issues of environmental protection should concern everyone. We are concerned and that is why we are trying to follow the best practices and technologies. We apply every qualification such as the ISO 14000. We also work closely with international organizations for the monitoring of our emissions and other similar programs. But we are doing this because this is what we want to do. These are personal beliefs". He argues, "For us things are very simple. We have children and families. There is an environmental problem and since we can help we are doing our best. This is how we think, this is how we work. I cannot understand why others don't". The CEO also described the company's view about its stakeholders. "We are doing many things for our people. If you put together all the employees and their families there are a lot of people who depend on us. We are responsible for all these people. The issue here is that most of our employees are working on the ships, not here. So we can't do many things as a company like others who have their operations here. That is why we do many things as a family, at a philanthropic level. As a company we do very few things, mostly for the environment and for our people. For the society we act as a family. We help where we can in various ways. In any case we don't advertise what we do. We believe that if you advertise then something is wrong". When it comes to the cost of all the benefits and help that the company provides to the employees, the CEO was very clear: "I don't know if what we do is harming the company financially. I haven't tried to find out and I don't know how the company would be if we were not doing these things. This is how we feel and this is what we do".

The CFO also agreed that the main issues with which the company is engaged are of safety, environmental protection and the well being of its employees. He noted that: "The company is keeping a low profile. When we do something for someone we never advertise it. I don't believe that we lose something by not advertising it. Also for me it is worth mentioning that the company doesn't show off". Referring to the family's other companies, he notes: "Even there, when our other companies promoted action mostly related to environmental issues, they announced only 10% of what they did in total. And even this 10% was announced because people are often badly informed and are suspicious towards any company that is investing in a region. And I can assure you that those investments had as their main objective the support of the region and its economy for reasons that have to do with family history and not profit. The family is generally involved in philanthropic work of a remarkable width. They don't want to promote it and I don't believe that they should. Philanthropy is to help someone without expecting something in return. Not even publicity". He concluded that by helping the society and your own people you cannot lose. "It is an issue of respect towards the people. You are not against them, and if you are, you are most probably harming your firm."

The LA argued: "In this company CSR was adopted very early but not as institutionalized CSR. Everything was at a personal level. The founder was involved with NGOs since the very first years of the company. He supported campaigns that dealt mainly with the protection of the sea and the environment. We never used that to promote our brand. We don't have the kind of clients who need these things. Everything was at a personal level. Most of the things were done as philanthropy.-Everything that the family did was very open-minded. During a crisis in the past, many Greek companies decided to hire non-Greek officers for their ships in order to reduce their cost. The family kept the Greek officers, and protected them from the crisis. But at the same time the supposedly extra cost of keeping Greek officers, was set off by the risk that was avoided due to the experience of these officers. This people-focused culture, led also to profitability through risk management and risk avoidance".

<u>China</u>

As mentioned earlier, the company has a subsidiary in China. All the interviewees argued that there is no difference in the way of management, benefit provision or work conditions for the employees of the Chinese company.

The LA noted that even in those ships the officers are Greek and most of the crew is from Philippines. The standards are the same and even the office building there is one of the best in China. "We have exactly the same behavior towards them as we do here. Many of those who work on the ships or in the company in China had their parents working for us in the past. Now that we are also hiring some Chinese officers, many of them are children of old sailors who studied under our auspices to become officers and came to work for us as their fathers did. The family is also financing the University of Beijing and is giving scholarships".

The CFO argued that everything in China is similar to the conditions in Greece. "We are monitoring everything. The head of the office there is a Greek ex-captain who has been working for the company for many years and who knows our culture. We are also visiting very often the offices there. The only difference is that you have to learn to work with people with a completely different culture and way of thinking. But this is not affecting the conditions or the standards that we set".

The CEO added that the salaries in the shipping industry are completely different from those in other industries. He noted that in China a normal salary in a factory is about seventy to a hundred dollars per month. Someone who will join a ship for the first time will have a salary of at least seven hundred dollars. If he manages to become an officer, after training, he may end up earning even five thousand dollars.

The Manager finally added that the company in China is also connected and monitored electronically. All the procedures are the same as are the benefits and the corporate values.

Supply Chain

On the issues affecting the supply chain the research has indicated that controlling the supply chain is not possible mainly due to the small size of the firm. The supply chain concerns the delivery of new ships. The company uses yards in China and Korea.

The CFO argued that the only thing that they can do to control their supply chain is to choose the most well known shipyards and especially those that are financed by the governments to provide more jobs. He argues that the company didn't try to affect the production but also didn't have any indication of something wrong.

The CEO also supported that the only thing that the company can do is to choose the best shipyards, those that have the best reputation.

The LA argued that it is not possible to affect the supply chain due to the small size of the company. "We are a very small customer. These shipyards have thousands of customers. We can't affect them by asking them about their working conditions etc. Generally it is evident that some things are changing. We have as charterers the biggest logistic companies. They have multiple customers with different needs. A small customer will not affect their procedures. But big customers, like IKEA which moves ten thousand containers per year, can affect them. If IKEA asks, for their CSR, certain standards, it is expected that our client will also request from us these standards. Big clients can make these demands. The good thing is that this is happening more and more often, so there is a possibility that in the future the whole industry will have to reform and raise standards driven by the customers. And then we may, in turn, be able to request more things from our suppliers."

The Manager argued that it is not possible to affect the supply chain: "This is an issue in level of Countries. I believe that, even if the USA would request from China to raise its standards, China would not do it! The only thing that we can do, is to request our standards for our ships. We can't interfere on how they will do the job. The good thing is that till now we haven't spotted anything wrong at the shipyards". He also supported that the clients (logistic companies) of the shipping company are under pressure from their clients (manufacturers, wholesalers) to adopt higher standards. "If you can do it and reach the standards you will have the jobs. If not they will choose someone else."

Discussion

It is evident that the interviewees are familiar with the CSR notion. However they clearly stated that there are no institutionalized CSR programs at the firm. They strongly supported initiatives for the well-being of the employees and their families. They also argued that most of their initiatives as a company are focused on environmental issues, which are also relevant to the nature of the industry. We have seen in the relevant literature that many firms decide to act only in their field with programs that are linked with their operations. Early environmental initiatives of the firm under study illustrate that the concern was not the result of external pressure by the society or by legal requirements. The voluntary nature of most of the measures for the environment, but also for the benefit of the employees, shows a genuine interest for these issues. In my opinion these actions are compatible with the declared values of the firm and the family. It seems evident that the firm is concerned for the safety and the living conditions of its employees and that is why it may "sacrifice" some profits to assure that everything is on track with their social goals. On the other hand an officer argued that by taking this kind of socially responsible action, the firm is reducing any risks such as low moral or loyalty that could create dissatisfied employees. It was also argued that by taking all the necessary measures for the protection of the environment and the safety of its ships, the firm secures its position as a leading shipping company. Safety and quality are arguably the most important issues for potential clients. Especially nowadays more and more top clients are requesting higher standards for their own CSR initiatives. The example of IKEA which requires from its logistic partners higher quality shows how a top client can affect the whole supply chain. The company has as clients many of the top logistic companies. When IKEA is asking them to change, they are also asking from the shipping firm to change (if necessary). The interviewees argued that this is a good sign for the future. They predicted that these changes will come and they are preparing themselves. The family argues that when they started taking these measures for the protection of environment and the well being of their employees, they did not do it having in mind the potential profit from risk avoidance. They agree that now, in a more sophisticated business environment, what they started doing because of their personal values, now seems to be a good business strategy as well. I tend to agree with this statement since it seems that the loyalty and satisfaction of the employees is really high. This may be concluded by the very low turnover of employees. It is evident that especially the employees on board, and mainly the officers, have close bonds with the firm. In the shipping industry, officers are the most valuable personnel since they are responsible for the ships and have the complete authority of decisions during the trip. As mentioned before, any decision that they make is final and affects the whole company and its operations. Having these people satisfied (from the perspective of well-being, job security, safety, family support, etc) is the key for success.

Concerning the issue of China, which tends to be a taboo for many firms, we show that the firm is trying to preserve the same level of care and devotion. For its employees in China there seems to be no difference in treatment or in benefits on the part of the company. But when it comes to the suppliers (the shipyards) it is stated that it is impossible to interfere with their operations. One reason is their small size as a client and another that any interference in these issues is political and therefore impossible. Concerning the interests of the firm , they clearly state that they didn't spot any issues that should alert them and press them to interfere. It is true that the case of China is mostly a political one, at a world level, rather than an issue that a small company can affect.

Generally the interviewees believe that CSR as an initiative is a good one. On the other hand they have some doubts about the genuine interest of the supporters of CSR. They believe that it is mainly used for image making and brand promotion. They don't disagree with that approach, but they remain skeptical about the deeper concerns of those who are using CSR only for promotion. They make clear that since the company does not need to promote its image they do not use CSR techniques. Instead, for social purposes, the family has a large philanthropic activity and is not interested in publicizing it.

In my opinion, the applicability of CSR initiatives depends on the industry in which a firm operates. In other sectors that are more consumer focused, it would be useful to promote institutionalized CSR, not only in order to improve the image of the firm but also in order to raise the bar for the opponents who would have no other option than to follow the lead. Philanthropic activities are an altruistic way to support society and perhaps they are the best way for a family to contribute to the society and the environment. Still, the purpose of CSR is not only to do some good but also to promote it and change behaviors in general. Innovative and leading companies should try to raise the standards. In the maritime industry the environmental standards are high and this is mostly because of the standards that many companies have voluntarily adopted during the past years. Of course there are always exceptions but this is why international conventions and laws are introduced.

Family and Succession

Generally

"One of the dysfunctions of family firms is the change of control between two generations". That is what the LA of the firm noted concerning the family firm. "Since it is clear who is going to run the company, someone from the family, now the concern is how this change of generation will affect the company." He argues that usually the heirs are preparing from early years to take their place at the company. "They usually become vice-presidents and then they take over" he notes. "But how smooth will the change be depends on the relations in the family. There are cases where the heir wasn't able or didn't want to take control and the founder had to make another choice either to scale down and close the company or to keep working till he'll not be physically able any more." Another issue that he pointed out was that it is a frequent phenomenon for founders not to trust their heirs. "Many people just don't trust their children. By doing so, they keep their companies under their control and they lose all possible innovations that the new generations could bring into the business. In the end, when finally the next generation takes control, it is often impossible to catch up with the new trends."

Commenting on what happened in the firm during the change of generations the LA noted: "The family provided the children with good edification. Even when they had money and they were teenagers they didn't enjoy the luxuries that I had, even though I didn't have the same fortune. That was very good for them because other rich families usually spoil their children and they don't provide them with the culture and the intelligence needed. To get formal education is the one thing. The other is the environment in which you are raised. When your family has a business, you don't have to be concerned to find a job later. and, through the years, you learn the job. Formal education is not the most important thing at this stage. Of course if you have it you have more chances to succeed and be worthy for your family's fortune." He concludes: "There is no substitute for education and culture, and this is something that only one's family can provide. School, university and family are the places where you will become a human being".

The Manager added that most of the things that you need to know about your business are learned through experience. "The founder was himself a captain and then he started his own business. He didn't have any formal education on how to run his business. The new generation combines both experience and academic knowledge of management, and this is good. But the father's experience was the main advantage for the company since he knew what to do and how to behave to his people." He also agreed that the background of the family is vital for the quality of the firm and the values of the family that will be transferred to the firm. "It is a difficult task to make your children part of the firm. You have to teach them to love the firm and the people in it. It is good that here, when the change between generations took place, everything went smoothly. The CEO was here for some years and he took over very gently without any further changes at that moment." He argued that the most important thing that affects a family firm is the personal ethics of the founder and his family. Everything is built on these values and these are the values of the firm.

The CFO noted that the brand name of the company is linked with the culture of the family and both generations are aware of that and they support it. "Even after the change a lot of people working for the first generation kept their positions and became advisors of the heir. There are still people working who that are working for the company since the very early years. The good thing is that there was an heir who was interested to take over. In the future, the company may be listed in the stock market and then we will see what will happen. We can never be sure whether the company will stay under family control after three or four generations. But who can assure us that non-family firms will still exist in fifty years?"

The CEO noted that the values of the company are linked with those of the family. And that these values are evolving and are adapting according to the experiences that everyone has. “I don’t have the same experiences that my father had in the ships. Also in the past there where very few people who were worried because they were polluting the sea. Now all these are changing. And not just for us, for everybody. Many businessmen today realize that polluting the sea may take them out of business”. He commented that the change of generations happened in small steps and quietly. “I respected the associates of my father and when they decided to retire, I brought mine. Of course I didn’t lay off anyone because he was working for the previous generation! They were very valuable for me, and we had a very good cooperation.” He finally added that formal education is not the most important thing, at least at the shipping industry where experience is more valuable. “If you want to become a doctor you need to study. I also studied, but nothing relevant with what I do now.”

Discussion

It is evident that the background of the family and its experiences are affecting the values and the management style of the owning family. Education seems to matter only as general experience and not as a skill for good management. All the interviewees insisted on the value of experience and on the value of the way someone was raised. It is believed that these experiences and values are responsible for the good status of the firm and its further success.

Concerning issues of succession, research indicates that it is possibly one of the biggest threats for family firms. If there isn’t a successor or he/she is not interested to take over, the firm may close down. Also lack of trust from the first generation to the second leads to a delay in the modernization of the firm with possibly adverse consequences. In the particular case, the change of generations took place smoothly and without any problems. It seems that there were no conflicts between the two generations or between the employees. This smooth change seems to satisfy the clients and the associates of the firm since they are confident that no changes will occur to their business relationships with the firm under second generation control.

CONCLUSION

The purpose of this dissertation was to examine the drivers of corporate governance and CSR in family owned and controlled firms. For this purpose I conducted a case study in a Greek shipping company. I investigated the views on corporate governance and the motives behind any form of CSR. My findings indicated that, although family firms are aware of the potential advantages of a good corporate governance system such as the existence of a formal and active board, they prefer to keep the decision making process in the family and to use their advisors, if any, only as a second or expert opinion. This system it seems to be working at least in our case where the firm remains wholly-owned by the family. It would, though, be interesting to examine other similar family firms where minority shareholders exist. In that case the focus would have to be on how the family manages to satisfy the needs for transparency and monitoring of the shareholders without endangering its managerial benefits.

Concerning the internal stakeholders apparently I faced a company that would be eligible for benchmarking. The devotion to the values of the firm, which promotes the well-being and the safety of the employees, seems to be a driver for a successful managerial policy. The evidence shows that the satisfaction and loyalty of the employees are high. This behavior originates from the personal experiences of the founder, who was a captain himself before becoming an entrepreneur. His values, acquired during his early working years as a ship's officer, are the drivers for his current behavior towards his employees. It is important to note that many of those employees used to be colleagues during earlier years. The respect for the working man and in the individual in general seems to have played an important role at the establishment and progression of the firm.

CSR is a well known subject in all modern companies. The formality of the CSR programs is depended on the industry and the different needs of each company. Most industries, like shipping, that do not deal with end-users clients but only in the business-to-business sector, are not using the formal tools of CSR. Also they are often not communicating their actions. The shipping industry in particular has strong links with the maritime environment and its protection. Also the majority of on board personnel issues are regulated by very strict international conventions, leaving small space for further voluntary initiatives. Even though it seems that the particular company strives to be the leader in any new innovation, the majority of its social contribution originates from the family in the form of philanthropy. Again we can argue that this behavior is based on personal altruism and personal ethics and not on strategic planning. There are evidences though that, in different industries, the same family is acting in a more institutionalized manner in its social initiatives since those industries are engaging with retail customers and not business-to-business clients.

A succession issue seems to be important for the future of any family firm and the devotion to its original values. Each case is different since it depends on the way in which each family will be engaged with the firm after the first generation.

Concluding, I would like to comment that further studies in similar cases would be helpful to understand further the drivers of corporate governance and CSR in family firms. One case study, from one country and in one, generally agreed, unique industry is hardly a good example for safe conclusions. Further qualitative studies should focus on large family firms, both those that are wholly-owned by the family and those that have minority shareholders. For the purpose of this dissertation, however, I believe that the findings were fruitful and contribute to the constant discussion of the particularity of family firms.

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ANNEX

TABLE 1

FEDERATION OF GREEK INDUSTRIES

PRINCIPLES OF CORPORATE GOVERNANCE

August 2001.

Unofficial English translation by Weil, Gotshal & Manges LLP, January 2002.

A. Introduction - Objectives

1.1

Corporate Governance is a system of principles providing a basis for the organization, operation and management of a public limited liability company ("A.E."), in a manner that ensures the protection and satisfaction of the legitimate interests of all persons linked to the company in the framework of the company's interests.

1.2

Corporate Governance aims at serving, on a continuous basis, the company's interests, which are a combination of the interests of the company as a distinct legal entity and the legitimate interests of all stakeholders linked to that company.

1.3

Corporate Governance aims at full transparency in the overall management of the company, allowing the dissemination of any vital information to all shareholders and thus providing them with the opportunity to participate actively in the company's activities, on the basis of the legislation in force, and to protect and promote their interests in a non-discriminatory and fair manner, within the framework of the company's long-term and balanced development.

1.4

Corporate Governance principles and the procedures adopted for their implementation and supervision are voluntary engagements of the company, whose basis and starting point are found in the legislation in force on public limited liability companies, the legislation on stock exchanges, and the regulatory provisions adopted by the Athens Stock Exchange and its supervisory authorities, but whose scope extends beyond existing legislation, and includes voluntary commitments that contribute to the maintenance and improvement of the company's credibility.

1.5

The principles and procedures of Corporate Governance are reflected in the overall structure and operation of the company, and apply to its administrative bodies (the Board of Directors and the shareholders' assembly), as well as the manner in which these are structured and operate, but also the more general lines of communication between the company's different stakeholders.

1.6

Corporate Governance is of interest to any company, not limited to public limited liability companies. It is particularly recommended for public limited liability companies that are listed on the Athens Stock Exchange.

TABLE 2

Laws and Presidential Decrees covering the Greek Capital Market (Spanos, 2003)

Law/Presidential Decree (P.D.)	**Government Gazette**	**Title**
Law 3632/1928	17/26-7-1928	Stock Market Securities
Law 148/1967	A173	Measures on capital market enhancement
Law 876/1979	A48 12-3-1979	Amendment and completion of provisions concerning the development of the capital market
P.D. 348/1985	125 / 4-7-85	Determination of conditions for the edition, audit & publication of the Prospectus to be published for securities listing in the A.S.E.
P.D. 350/1985	126 / 4-7-85	Listing requirements in the Athens Stock Exchange and issuers duties and obligations
P.D. 360/1985	129	Financial information to be published periodically by companies listed in the A.S.E.
Law 1806/1988	A207	Amendment of legislation concerning the Securities Exchanges and other provisions
P.D. 489/1989	209	The Parallel Market in the A.S.E.
Law 1892/1990	A101	Modernization and development of the capital market and other provisions
Law 1969/1991	A167	Portfolio Investment Companies, Mutual Funds, and other provisions aiming at the modernization and improvement of the Capital Market Commission
P.D. 50/1992	22 / 14-2-92	The mutual recognition of the prospectus to be published for the listing of securities in a Stock Exchange in compliance with Directive 87 / 345 / EEC
P.D. 51/1992	22 / 14-2-92	Information to be published on cross-shareholdings by ASE listed companies in accordance with Directive 88 / 627 / EEC

P.D. 52/1992	22 / 14-2-92	Conditions for the edition, audit & publication of the Prospectus to be published for public offerings of securities in accordance with Directive 89 / 298 / EEC
P.D. 53/1992	22 / 14-2-92	On confidential information in accordance with Directive 89 / 592 / EEC
P.D. 14/1993	6 / 1-2-93	Amendment of P.D. 409 of 12-28-11-1986 on Amendment of Greek Company law to EU Legislation and particularly the provisions of the First Directive 68 / 151 / EEC of the 9-3-1968 Council, the Second Directive 77 / 91 / EEC of the 13-12-1976 Council, the Fourth Directive 78 / 660 / EEC of the 25-7-1978 Council and partly of the Seventh Directive 83 / 349 / EEC of the 13-6-1983 (Government Gazette A 191)
P.D. 96/1993	42 / 23-3-93	Amendment of Greek Legislation to the provisions of the Directive 88 / 361 / EEC and 92 / 122 /EEC on capital mobility
P.D. 433/1993	183 / 7-10-93	Amendment and addition of the P.D. 348 / 1985 (Government Gazette 125 A) of Law 1969 / 91 (Government Gazette 167 / A) and of P.D. 50 / 1992 (Government Gazette 22 A) in compliance with the provisions of Directive 85 / 611 / EEC for the co-ordination of legislative, regulatory and administrative clauses concerning particular organizations of collective investments in securities and of Directive 90 / 211 / EEC for the amendment of Directive 80 / 390 / EEC concerning the mutual recognition of the prospectuses for the disposition of securities to the public as prospectuses of listing in the A.S.E.
Law 2166/1993	A137	Incentives for the development of companies, arrangements in direct and indirect taxation and other provisions
Law 2198/1994	A43	Increase in wages of public servants in general, loans of the public sector and development in the Bank of Greece of a System Supervising the Transactions of Dematerialized Securities and other provisions
Law 2275/1994	A238/29-12-1994	Ratification of five loan contracts (31-12-1993 and 6-7-1994) between the Hellenic Public Sector and the Bank of Greece and other provisions
Law 2324/1995	A146/17-7-1995	Amendment of legislation concerning Securities Exchanges, the organization of the Capital Market Commission, the Deposits. Guarantee System and other provisions
P.D. 82/1996	66 / 11-9-96	Nominalisation of company shares participating in public works

P.D. 401/1996	269 / 10-12-96	Establishment and operation of the Money laundering Commission of article 7 of Law 2331 / 95
Law 2374/1996	A32	Listing of Hellenic Telecommunication Organization S.A. in the Athens Stock Exchange and other provisions
Law 2396/1996	A73	Investment services in the securities field, capital adequacy of investment services firms and credit institutions and shares. dematerialization
Law 2414/1996	A135	Development of Public Companies and Organizations and other provisions
Law 2459/1997	A17	Abolition of tax obligation and other provisions
Law 2471/1997	A46	Ratification of the Act of 18-11-1996, additional restrictions for the Capital Market and other provisions
Law 2515/1997	A154	Practice of Accountant-Tax Consultants, operation of the Body of Charter Accountants and other provisions
Law 2526/1997	A205	Development of the S.A. named .Public Company of Securities S.A.. and other provisions
Law 2533/1997/chapter A & B	A228/11-11-1997	Derivatives Exchange and other provisions
P.D. 100/1998	96 / 5-5-98	Defining of depreciation coefficients
Law 2642/1998	A216	Record of companies concerning shipbuilding, transformation, repair and conservation of ships and other provisions
Law 2651/1998	A248/3-11-1998	Amendment of Stock Market legislation, merger of Thessaloniki Water Supply Organization and Thessaloniki Sewerage Organization and other provisions
Law 2733/1999	A155/30-7-1999	Development of New Market in the ASE, general amendments of the Capital Market, the Public Companies and Organizations, the Corinth Canal S.A. and other provisions
Law 2742/1999	A207/7-10-1999	Land-planning and perpetual development and other provisions
Law 2744/1999	A222/25-10-1999	Amendments concerning Public Water Utility and other provisions
Law 2778/1999	A295/30-12-1999	Real Estate Mutual Funds - Investment Companies investing in Real Estate and other provisions

Law 2789/2000	A21 / 11-2-2000	Amendment of Greek legislation to the Directive 98/26/EC (19-5-1998) of the European Parliament and the European Council
Law 2836/2000	A168/24-7-2000	Completion of Capital Market Commission regulation, amendments concerning the Public Real Estate Company, insurance compensations, Value Added Tax, investing gold and other provisions
Law 2842/2000	A207/27-9-2000	Additional measures implementing Regulations 1103/1997, 974/98 and 2866/98 of the European Council concerning the introduction of euro
Law 2843/2000	A219/12-10-2000	Modernization of Stock Market Trading, listing of companies investing in ocean shipping on the Athens Stock Exchange and other provisions
Law 2874/2000	A286/29-12-2000	Reinforcement of employment and other provisions
P.D. 60/2001	51 / 16-3-01	Amendment of company Law 2190 / 1920 to the Directive 92 / 101/ EEC of 23th November 1992 as amended by 77 / 91 / EEC (L347 / 64 / 28-11-92)
P.D. 74 /2001	64/2-4-01	Amendment of Law 2844 / 2000 (Government Gazette 220 A / 2000) .Contracts on transferable securities or claims subject to publicity and other contracts
Law 2892/2001	A46/9-3-2001	Reductions in the taxation of capital and other provisions
Law 2937/26-7-2001	A169/26-7-2001	Amendment and completion of capital adequacy requirements of Investment Companies and credit institutions, adjustments concerning Thessaloniki Water Utility and Sewerage Company S.A. and other provisions
Law 2954/2-11-2001	255/2-11-2001	Tax adjustments, Mutual Funds, completion of Stock Market legislation and other provisions
Law 2992/20-3-2002	A 54/20-3-2002	Measures on capital market enhancement and other provisions
Law 3016/14-05-2002	A 110/17-5-2002	Corporate governance and other provisions
P.D. 25 /2003	26/6-2-2003	Organization chart of Capital Market Commission